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SHELTERED WORKSHOP STUDY

A Nationwide Report on Sheltered Workshops and their Employment of Handicapped Individuals

June 1977

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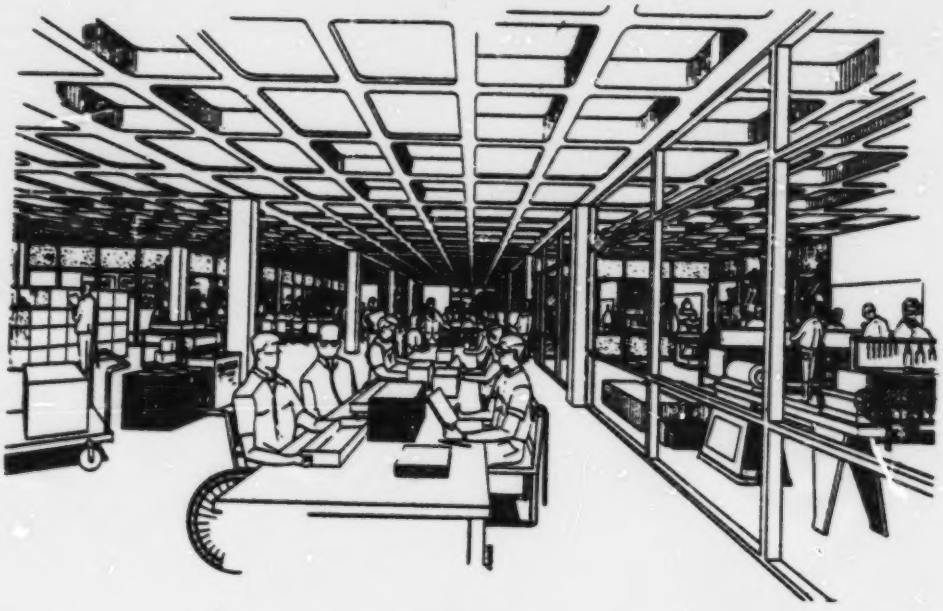

VOLUME I
WORKSHOP SURVEY

U.S. DEPARTMENT OF LABOR
EMPLOYMENT STANDARDS ADMINISTRATION
EMPLOYMENT AND TRAINING ADMINISTRATION

133

PREFACE

This report was designed to provide a comprehensive analysis of policies, programs and services of sheltered workshops serving handicapped individuals. A profile of the types of handicapped persons served, an analysis of wage earnings and fringe benefits, a review of the financial structure and the makeup of the staff, and other pertinent information were developed from a survey of the sheltered workshop universe in 1973 by the Department of Labor's Employment Standards Administration.

The purpose of the study was to provide specific information which will permit an evaluation of the effectiveness of sheltered workshops by various interests including standing committees of the U.S. Senate and House of Representatives and the Advisory Committee on Sheltered Workshops of the Department of Labor.

Funding for the study was provided by the Employment and Training Administration which had an interest in evaluating the feasibility of utilizing sheltered workshops in training "disadvantaged", nonhandicapped persons.

The study was conducted under the direction of Jack I. Karlin, Director, Division of Evaluation and Research. The report was prepared by Claude W. Whitehead.

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STATEMENT OF THE SECRETARY OF LABOR TO THE CONGRESS

The physically and mentally handicapped population of our nation represents a disadvantaged, minority group which traditionally has been dependent on public assistance for survival and support. In recent years however, the courts have affirmed the rights of the handicapped to education, treatment and other services. Acceptance of this principle by society is responsible for noticeable progress toward making handicapped individuals full-fledged, independent members of their community.

A national deinstitutionalization movement under which hundreds of thousands of mentally disabled patients of public institutions are being returned to live in their community is a partial result of the new concern for the handicapped persons. These activities have resulted in expanded demands for community services for the mentally disabled population. Our study shows a substantial growth in mentally handicapped persons served in sheltered workshops and this increase is expected to continue as the program reaches more of the severely disabled patients.

Sections 503 and 504 of the Rehabilitation Act of 1973 represent landmark legislation designed to assure equal opportunity to the handicapped in the area of employment and services. The implementation of this legislation is expected to provide new job opportunities for trained and qualified handicapped persons in the competitive labor market.

This report represents the first part of a compehensive study of the role of sheltered workshops in providing training and employment for severely handicapped persons who cannot readily be absorbed in the competitive labor market. The second part of the study, which is to be completed in the near future, pertains directly to the handicapped persons served in the workshops in terms of their needs, characteristics, and sources of support, as well as their attitudes toward the benefits provided by the workshops. A series of recommendations pertaining to legislative initiatives and other action will accompany my report on the second part of the study of sheltered workshops.

The workshops have clearly demonstrated a capacity for satisfactorily performing an important job in meeting the needs of severely handicapped persons. They operate in the dual capacity of preparing the less severely handicapped worker for employment in the competitive labor market, and providing long term sheltered employment and supportive services for the more severely handicapped person who is not likely to function independently in the community.

The findings of the study suggest that the sheltered workshop is a far more desirable alternative than public assistance for our handicapped population -- both from an economic and humanitarian consideration. Although the wages earned by a severely disabled person may not meet his or her total financial needs, anything which will substantially reduce his or her dependence on public assistance merits careful consideration.

The report shows that funds to support training and other development services in sheltered workshops are limited. The investment in buildings, equipment and industrial development also has been minimal in comparison to the need and has, therefore, restricted employment and training opportunities for the severely handicapped population in workshops.

Ray Marshall

Secretary of Labor

MAJOR FINDINGS

This study gathered data from more than three-fourths of all known sheltered workshops. A total of 2,530 workshop programs (regular program workshops, work activities centers, and training and/or evaluation programs) operating in 1,786 establishments reported data on operations, policies, procedures and services. The survey represents the most comprehensive analysis of sheltered workshops ever undertaken.

A detailed description and evaluation of the findings of the Sheltered Workshop Survey are presented in Chapters V-XI supported by tabulated data presented in the appendix. The major findings were related to one or more of the objectives of the study:

A. Client earnings increased very little in the five year period since the last DOL wage study. Wages of regular clients increased by nine percent, work activities center client wages by six percent, and training and evaluation client wages by eleven percent in the period 1968-73. By way of comparison average hourly earnings of production or nonsupervisory workers on private nonagricultural payrolls increased by 38 percent in the same period. 1/

   Although the average hourly earnings of clients in each of the three workshop programs increased the combined average hourly earnings of all workshop clients actually decreased by four percent in the 1968-73 period. This was influenced by the much greater increase in the size of the lowest wage group, work activities center clients, compared to the other two programs. Work activities center clients represented 36 percent of the workshop population in 1968 and increased to 49 percent in 1973. This group -- generally considered to be severely handicapped, inconsequential producers -- continued to show the greatest growth in the years following the study.

1/ U.S. Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics 1976, Bulletin 1905, p. 186.

Mentally handicapped persons, many of whom came to the workshop from public institutions, constituted the bulk of the work activities center population and the largest disability group in the other two programs.

The average hourly wage in a work activities center (37 cents) was only 23 percent of the FLSA statutory minimum rate ($1.60 at the time of the study) and 93 percent of these clients earned less than half of the statutory minimum. Clients in the regular program workshops earned an average of $1.25 per hour, 78 percent of the FLSA rate; 18 percent earned less than half of the statutory minimum.

B. The separation of work activities center clients (inconsequential producers) from regular program workshop clients (better producers) as provided under the 1966 Amendments to the Fair Labor Standards Act did not produce significant changes in services, productivity or programs provided. This opinion was expressed by most of the workshops operating dual programs (regular program workshops and work activities centers) or single program work activities centers.

The client earnings and productivity criteria contained in regulations pertaining to qualifications for work activities centers seemed to serve as assurance that the program would be limited to the inconsequential producers but more than half of the workshops commenting on the criteria felt that the earnings and productivity ceilings were too low. Earnings of work activities center clients did not increase significantly as they stayed longer in the centers whereas wages for regular program workshop clients increased as their years of employment increased. While this finding was viewed as a possible indicator of the impact of the ceilings, it was also a reflection of the low productivity of clients entering work activities centers.

C. The workshops were substantially underutilized. About one-half the workshops reported unused capacity; with adequate staff and work supply nearly one-third more clients than the 267,920 served during the reporting year could have been served.

D. Most of the workshops provided some degree of training, educational, and/or therapeutic service to their clients but annual expenditure reports reflected a relatively small amount for professional and technical staff salaries. This suggested a high proportion of part-time or combined role staff positions; it also indicated that professional services in the average workshop may have been very limited.

Correlation between types of staffing and client success could not be established without further research; however, workshops which were larger in client size than the average paid better wages, had a bigger professional staff, and showed a higher competitive job placement ratio. Training fees and subsidy income also positively influenced staffing and services.

Training programs were generally restricted to low-skill jobs concentrated in service occupations.

E. Very few workshops were serving clients referred by Federal manpower programs. Most of such clients were served in regular program workshops. The rate of successful completion of training and competitive job placement for clients referred by Manpower Development and Training Programs was higher than for non-Federal program clients.

The capacity of regular program workshops and training and/or evaluation programs to train and serve disadvantaged, nonhandicapped persons could not be determined for the general workshop group but informal reports suggest that a number of workshops may be serving that population to a limited degree at the present time. Because of the nonproduction orientation

and the generally low productivity level of the clients, work activities centers did not seem to hold the promise and potential for serving nonhandicapped persons.

F. Clients were moved from the sheltered workshop into competitive employment in community jobs at a rate of 12 percent of the total served annually. The 32,242 clients placed represented about one-third of the average daily attendance in workshops. Most of the clients placed had been in the workshop less than a year and the starting hourly wage was $1.60 or higher for the majority.

Less than 15 percent of the clients placed in competitive employment had to return to the workshop for further training or other services.

G. The type of work provided in workshops influenced training and wage earnings but the client disability also seemed to be a factor. Blind and other physically handicapped persons were employed mostly in manufacturing and renovation work and they earned substantially higher wages than the mentally handicapped who were employed almost exclusively in subcontract work.

The most common job in the workshops was bench assembly work, possibly because in required the least investment in equipment and engineering. It is also likely that it was the most suitable work (which was available to the workshop) for the mentally retarded worker, who had very limited skills and potential.

Lack of work was a major problem in the regular program workshop; work activities centers and training and/or evaluation programs were also concerned with securing suitable and adequate work but to a slightly lesser degree.

H. The size of the operating budget in many workshops, especially those serving mentally retarded clients, seemed inadequate to support the necessary programs. Support funds consisting of fees and subsidy income were not

uniformly provided to workshops; more than one-third of the workshops reported no fee income and about one-fourth showed no subsidy income. Also fee income was generally restricted to rehabilitation services and could not be used to support long term employees.

The annual operating budget for the average regular program workshop serving mostly mentally retarded clients was only $98,000; and $74,000 was the average operating income in work activities centers serving primarily mentally retarded clients.

Fees and subsidy income represented 27 percent of the operating budget in regular program workshops, 68 percent in work activities centers and 71 percent in training and/or evaluation programs. The level of severity of the client's disability and/or the level of service being provided influenced support levels.

The income from the work program did not seem to be adequate to support the industrial program of the workshop, especially in work activities centers and in training and/or evaluation programs where the amount of wage payments to clients represented two-thirds of the work program income. An amount equal to one-half of the work program income was paid out in client wages in regular program workshops.

I. <u>The size of the client group in the workshop seemed to influence services, wage earnings of clients and other benefits</u>. Average daily attendance in nearly one-third of the workshops was fewer than 20 clients. Three-fourths of the workshop programs had fewer than 40 clients in average daily attendance. The small size made it economically impractical to provide comprehensive services and limited the size of the subcontract jobs which the workshop could undertake.

J. Most of the clients in the workshops did not receive the fringe benefits usually provided to employees in the competitive labor market. Clients employed in regular program workshops seemed to have more of an "employee" status than clients in the other two programs; and they received some of the usual fringe benefits in about half of the regular program workshops. The lack of benefits for work activities center clients suggested that they were perceived more as a "client" (receiving service) than an "employee" (producing goods or services). The clients in training and evaluation programs were likewise seen in a role of receiving services as a "trainee" or "evaluee" rather than "employee".

K. Very few workshops appeared to have the capability to manufacture commodities to sell to the Federal government under the Wagner-O'Day Program, but more than one-half of the workshops provided training in services which might be provided to the Federal government on a service contract. Workshops for the blind dominated the manufacturing of commodities, many already selling to the Federal government under the Wagner-O'Day Program. About ten percent of the workshop clients were involved in manufacturing.

Although less than four percent of the workshop clients were involved in rendering services such as janitorial, custodial and building and grounds maintenance at the time of the study, a more recent report on workshop involvement in the Wagner-O'Day Program 1/ shows that workshops serving other than blind clients have had increasing success in developing contracts to provide these types of services to the Federal government. The limited size of funding of the average workshop makes the involvement in servive contracts more practical than manufacturing because the development of services requires a substantially smaller investment.

1/ Committee for Purchase from the Blind and other Severely Handicapped, Procurement List 1976, General Services Administration, Denver, Colorado, January 1976.

Also the skill requirement for service work is much lower in comparison to manufacturing in most work of the type which is feasible for workshop clients.

I. HISTORICAL DEVELOPMENT OF WORKSHOPS

Sheltered workshops were developed in response to a need to provide employment, training and other rehabilitation services to severely handicapped persons. The workshop operates as a work oriented rehabilitation facility with a controlled working environment and individual vocational goals which permit the physically or mentally handicapped person to work at his or her own capacity and be paid accordingly.

Sheltered workshops had a beginning in the United States more than 100 years ago. The first known workshop, established to provide employment for blind persons, was organized in 1838 at Perkins Institute for the Blind in Massachusetts.

The early workshops were established and operated primarly with private funds provided through churches and other religious or quasi-religious organizations, such as St. Vincent DePaul Society, Volunteers of America, and Goodwill Industries of America (founded by the Methodist Church). Most of the early workshops emphasized sheltered employment for physically handicapped and aged persons, and alcoholics.

The Vocational Rehabilitation Act was approved in 1921 to provide rehabilitation services to physically handicapped persons, but there was no real working relationship with sheltered workshops for the next thirty years.

The Federal government's initial actions with respect to sheltered workshops occured during the first administration of President Franklin Roosevelt. Under the National Industrial Recovery Act, (NIRA) industry codes of fair competition were established to stabilize prices. Sheltered workshops asked the Federal government to establish a code for workshops because of difficulties they were having in selling their products without a "blue eagle" symbol which denoted a fair competitor. A code of fair competition was established for workshops and an advisory committee of leaders in the sheltered workshop field was appointed to assist the administrator of the National Recovery Administration. However, the NIRA was declared unconstitutional by the Supreme Court shortly afterwards.

When the Fair Labor Standards Act (FLSA) was enacted in October 1938, establishing minimum wage, overtime premium pay and child labor protection for millions of workers, a partial exemption from the minimum wage was made for handicapped individuals who were not capable of normal productivity. The statute did not set a minimum (floor) rate for handicapped workers with impaired productivity and sheltered workshops, as such, were not referred to in the law.

A temporary certificate of exemption for handicapped workers employed in sheltered workshops was issued in November 1938 providing that handicapped workers must be paid an amount in the same proportion of the minimum wage which the handicapped individual's earning capacity bears to the earning capacity of a nonhandicapped worker. In March 1939, an Advisory Committee on Sheltered Workshops, composed of representatives of workshops, workshop organizations, labor and industry was established by the Administrator of the Wage and Hour Division. The first regulations governing the employment of handicapped persons in sheltered workshops were issued in February 1940.

The enactment of the Wagner-O'Day Act in 1938 gave blind persons priority in the sale of workshop products to the Federal government. This move marked the beginning of a significant growth of workshops for blind and visually handicapped persons. National Industries for the Blind was established as an allocating and technical assistance organization to aid workshops for the blind.

The mid-forties saw the Vocational Rehabilitation Act revised to permit services to mentally retarded persons by State rehabilitation agencies but this move had little impact on workshop services. Another decade passed before the efforts of parents of mentally retarded persons influenced movement toward serving mentally retarded persons. In the early sixties the development of day care and activity programs for mentally retarded persons began with local Associations for Retarded Citizens actually establishing and operating such programs. Many of these activity centers eventually developed into sheltered workshops over the next several years.

The first real stimulus for the sheltered workshop movement came in 1954 through amendments to the Vocational Rehabilitation Act which provided expanded funding for State rehabilitation programs and made Federal grants available to private organizations (including workshops) for innovative projects and research and demonstration projects. These two changes permitted payments of fees to workshops for the provision of evaluation and training services to handicapped clients and made funds available to develop new techniques of serving handicapped persons. In 1955 the Department of Labor issued certificates to a total of 262 workshops that employed 15,237 clients.

In 1963 another growth program was stimulated by the enactment of the Mental Retardation Facilities and Community Mental Health Centers Construction Act. This Act provided for Federal assistance in establishing sheltered workshops for mentally retarded persons through grants for new construction and expansion of existing buildings, for employing staff, and purchasing equipment. This new program was largely due to the combined efforts of parents of mentally retarded persons and professional organizations concerned with mental health and mental retardation.

The 1965 Amendments to the Vocational Rehabilitation Act authorized a comprehensive program of Federal financial assistance for rehabilitation facilities, including sheltered workshops; it established a technical assistance program designed to improve workshops; and it mandated statewide planning of sheltered workshops and other rehabilitation facilities by the State rehabilitation agencies. The new Amendments to the Act also increased Federal funding of State programs, including case service funds for purchase of rehabilitation services from sheltered workshops. Thus, the Amendments initiated what was to become a decade of unprecedented improvement and growth in sheltered workshops.

The program of growth and expansion was coordinated by a new group of rehabilitation technicians, referred to as "rehabilitation facilities specialists", charged by the revised Rehabilitation Act with the responsibility for carrying out an orderly program of expansion and improvement of sheltered workshops and other rehabilitation facilities. A major improvement in workshops was the hiring of professional staff to provide rehabilitation services designed to evaluate clients and prepare them for gainful employment in the community. The emphasis in sheltered workshop programs shifted from long-term employment to transitional services and placement of clients in employment in the community.

This move was accompanied by the development of extended employment work activities centers and regular program workshops for mentally retarded persons through parent association-operated programs.

By the end of fiscal year 1966 the number of Department of Labor certificated workshops had grown to 885 employing an estimated 47,412 handicapped persons. The 1966 Amendments to the Fair Labor Standards Act established a wage floor for handicapped persons of 50 percent of the statutory minimum wage rate and a requirement for payment of wages commensurate to those paid nonhandicapped workers in industry for essentially the same quantity and quality of work. The 1966 Amendments also authorized the establishment of new special certificates which provided for the following exceptions to the 50 percent wage floor: Multi-handicapped and other severely handicapped individuals; handicapped workers engaged in work which is incidental to evaluation or training programs; and employment for clients of work activities centers whose physical or mental impairment is so severe as to make their productive capacity inconsequential. The FLSA revisions served to provide a wage floor for the more productive worker while permitting the workshop to serve the severely handicapped person for whom work may be mostly therapeutic.

This new growth of workshops created a concern by professionals and organizations, including Federal and State government agencies, for the quality of services being provided in workshops. Greater attention was focused on accreditation of facilities and services through various national accrediting organizations, such as the Commission on Accreditation of Rehabilitation Facilities (CARF), the National Accreditation Council for Facilities Serving the Blind and Other Visually Handicapped (NAC), Goodwill Industries of America (GIA), and the Accreditation Council for Facilities for the Mentally Retarded (ACFMR). The Council of State Administrators for Vocational Rehabilitation (CSAVR) passed a resolution in 1970 endorsing the need for accreditation, which had a significant impact on the accreditation of workshops and other rehabilitation facilities.

The trend in the past decade has been toward development and improvement of services to the more severely handicapped client. This growth was aided by amendments to the Social Security Act in 1967, 1972 and 1974 which provided for the purchase of care and/or provision of social services for handicapped persons who were recipients or potential recipients of public assistance. Workshops, including work activities centers, in many states received funds to support long-term services to handicapped clients "to improve their level of economic independence and/or their employability". This program was also stimulated by enactment of the Developmental Disabilities Services and Facilities Construction Act in 1968 which provided for statewide planning of services and facilities for persons with developmental disabilities, as well as Federal financial assistance in the development of services and facilities.

The demand for services for severely handicapped persons grew rapidly during this period primarily in terms of services to mentally retarded and mentally ill persons who were being returned to their communities from State institutions as a result of national priorities for "deinstitutionalization" and recent Supreme Court decisions regarding the rights of handicapped persons to educational services and treatment.

The 1971 Javits Amendments to the Wagner-O'Day Act extended the special treatment previously accorded to blind workshops in their sales of commodities to the Federal government to workshops serving other severely handicapped persons and added contractual services to the special program. National Industries for the Severely Handicapped, a counterpart to National Industries for the Blind, was established in 1974 with Federal assistance from the Rehabilitation Services Administration of the U.S. Department of Health, Education and Welfare. The new corporation was designed to conduct research, engineering and product development work on commodities and services purchased by the Federal government and to provide technical assistance to workshops seeking participation in the Wagner-O'Day Program.

The most recent stimulus for expansion of handicapped client employment and services in workshops came with the passage of the Rehabilitation Act of 1973 which provided for additional services to severely handicapped persons, and has resulted in an increased flow of clients of the State rehabilitation agencies into workshops for a variety of services.

The workshop movement has grown from 85 certificated workshops in 1948 to nearly 3,000 certificated workshops in 1976 serving an estimated 145,442 handicapped persons daily and more than 400,000 annually.

II. FEDERAL REGULATIONS

A. Coverage

Three Federal minimum wage laws administered by the DOL affect the employment of handicapped persons in sheltered workshops:

The Fair Labor Standards Act (FLSA) applies to employees engaged in interstate commerce or in the production of goods for interstate commerce and to enterprises engaged in commerce and in the production of goods for commerce as those terms are defined in the law. On June 24, 1976, the Supreme Court held in National League of Cities v. Usery, 426 U.S. 833 (1976), that the minimum wage and overtime compensation provisions of the FLSA are not constitutionally applicable to the integral operations of the States and their political subdivisions in areas of traditional governmental functions. To the extent that this decision may effect sheltered workshops operated by States and their political subdivision, employees of such institutions are no longer subject to the Act's minimum wage and overtime requirements. The Supreme Court's decision does not apply to the Act's equal pay or child labor provisions. Nor does the Supreme Court's decision apply to the Age Discrimination in Employment Act (ADEA), which uses the enforcement provisions of the Fair Labor Standards Act.

The law applies both to handicapped workers and staff members who directly or indirectly engage in activities covered by the law; it includes minimum wage, overtime, equal pay and child labor standards. FLSA is the major law regulating wage payments to handicapped persons in sheltered workshops. The authority to permit the payment of wages below the statutory minimum wage rate is provided in Section 13(a)(7).

The Walsh-Healey Public Contracts Act (PCA) applies to workers employed on Federal government contracts in excess of $10,000 for the manufacture or furnishing of materials, supplies, articles or equipment. Under PCA, the prevailing minimum wage is determined by the Secretary of Labor on an industry basis. The authority to permit the payment of wages below the statutory minimum rate is provided in Section 6.

The Service Contract Act in general applies to Federal government service contracts regardless of the amount of the contract. The law applies to all employees (other than persons employed in a bona fide executive, administrative, or professional capacity) engaged in working on, or in connection with the contract, either in performing services called for or in performing other necessary duties. The FLSA minimum rate applies to contracts of $2,500 or less, and the Secretary of Labor is required to make a determination of prevailing wages as well as fringe benefit requirements when 5 or more employees are involved for contracts in excess of $2,500. The minimum rates to be paid are those determined to be prevailing rates in the locality for specific occupational classifications of employees, or in the case of employees, or in the case of successor contracts, the rates provided for in the predecessor contractor's collective bargaining agreement, if any. The authority to permit the payment of wages below the statutory minimum rate in Section 4(b).

At the time of the survey (1973) a relatively small number of workshops (111) were involved in federal government contracts but this number has increased significantly since the survey, primarly due to the expansion of the Wagner-O'Day Act program for workshops.

Workshop employment is also affected by other Federal laws, including the Occupational Safety and Health Act (OSHA) in regard to the safety and health of workers; the Civil Rights Act in regard to non-discrimination in employment on account of race, color, religion, sex or national origin; and the Age Discrimination in Employment Act (ADEA).

B. Certification of Workshops and Workers

Section 14(c) of the FLSA provides for the authorization by certificate of subminimum wages for persons whose earning or productive capacity is impaired by age or physical or mental disability or injury in order to prevent curtailment of opportunities for employment. Regulations, 29 CFR Part 525, issued pursuant to section 14(c) (Federal Register May 19, 1974), and made applicable to PCA and SCA by Regulations 50 CFR Part 50-201.1102 and 29 CFR 4.6(A)(1) respectively, provide for the issuance of five types of certificates for handicapped workers employed in sheltered workshops, including work activities centers:

1. Regular Program certificates are issued on a group basis and may apply to an entire shop or to individual departments. The minimum

wage set in the certificate may not be less than 50 percent of the applicable statutory minimum wage. The certificate may provide for one rate applicable to the entire shop or different minimums for different departments. It may also provide a learning rate, a minimum wage lower than the applicable department or workshop rate but not less than 50 percent of the applicable FLSA minimum wage. The certificate rate applies to all covered workers in the program other than those qualifying for a learner or individual minimum rate.

Evaluation and Training certificates are issued for covered clients in programs which meet criteria in section 525.7(b) of the regulations. The regulations do not require that a minimum wage be set in the certificate for clients in evaluation or training programs but if evaluees or trainees are to be paid less than 50 percent of the applicable minimum wage, the program must receive prior authorization (or certification) by the State vocational rehabilitation agency stipulating that the program(s) meets the standards of that agency or substantially equivalent standards.

2. Evaluation certificates are issued on a group basis for clients in those programs which use actual work to determine a client's potential. Evaluation programs are limited generally to six months but the period may be extended if properly justified.

3. Training certificates are issued on a group basis for clients in those programs using work for training a client in a specific skill or for work adjustment/general work training to develop acceptable patterns of behavior in work situation. Training programs are limited generally to twelve months but longer periods may be authorized with proper justification.

4. Work Activities Center certificates are issued on a group basis to those workshops or departments of workshops serving clients whose physical or mental impairments are so severe as to make their productive capacity inconsequential. Such programs must meet certain qualifications established by regulations, including average annual earnings or productivity limitations, maintenance of separate records and separate supervision. There is no minimum wage rate requirement for work activities centers.

5. Individual Rate certificates are issued for two special types of handicapped workers:

   a. Workers employed in regular program workshops whose handicapping condition and/or productive capacity is so limited that they are unable to earn the minimum wage established for the workshop. For an individual rate set below 50 percent of the statutory minimum wage rate, prior certification or approval of the State rehabilitation agency is required. In no case may the rate be below 25 percent of the statutory minimum wage rate.

   b. Workers employed in work activities centers whose earnings regularly amount to 50 percent or more of the statutory minimum wage rate over a recent consecutive three-month period, if no other suitable employment opportunities are available to them. A limited number of such certificates may be issued under regulations, CFR Part 524 governing the employment of handicapped workers in competitive industry.

C. Commensurate Wages and Overtime Pay Requirements

Wages paid to handicapped workers in all certificated programs must be commensurate with wages paid to nonhandicapped workers in industry in the vicinity maintaining approved standards for essentially the same type, quality and quantity of work, but wages may not be less than the certificate rate if one applies.

Workers may be paid at piece rates or hourly rates. All overtime hours worked in a workweek must be paid for at not less than one and one-half times the regular rate at which the worker is paid. Under FLSA, workers must be paid at premium rates for all hours worked over 40. Under PCA, workers are required to be paid at premium rates for all time worked over 8 hours a day or 40 hours a workweek, whichever results in the greater number of overtime hours. With respect to work performed under SCA, overtime pay may be required by the FLSA or the Contract Work Hours and Safety Standards Act which may also require overtime pay for all time worked over 8 hours a day or 40 hours a workweek, whichever results in the greater number of overtime hours. Under SCA, fringe benefits may be set for contracts in excess of $2,500.

D. Recordkeeping

Workshops are required to keep records as set out in Regulations, 29 CFR Parts 516 and 525.13. Records of client productivity, time studies, piece rate determinations, client wage reviews, industry prevailing rate findings, and records on pricing of work are included in the requirements.

III. PREVIOUS STUDIES

In response to a directive in Section 605 of the 1966 Amendments to the FLSA, (Public Law 89-601) a two-phase study pertaining to wage payments to handicapped client/employees in sheltered workshops was initiated in 1967 by the DOL's Wage and Hour Division. The first phase of that study was reported to the Congress in September 1967 and a final report was submitted in 1969. Wage and employment data presented in those reports were obtained from sheltered workshops holding certificates that authorized them to employ handicapped workers at special minimum wage rates.

The September 1967 report presented wage and employment data for two periods, one before and one after February 1, 1967, the effective date of the 1966 amendments to FLSA. The 1969 report also provided tabulations of wage and employment data for two periods, October 1967 and March 1968. The 1969 study compared wages paid in the two periods by matched workshops and clients in order to measure the impact of the second minimum wage level established by the 1966 Amendments on client earnings in sheltered workshops.

The feasibility of raising existing wage standards in workshops was considered by the studies and it was concluded that "even for most regular workshop clients the achievement of a statutory minimum wage does not seem realistic without some assistance". The reports also noted, however, that there was a clearly demonstrated need for more vigorous administration of the Federal wage program for sheltered workshop clients.

The reports suggested alternative approaches to be considered by the Congress in order to achieve the goal of (statutory) minimum wages for client/employees in sheltered workshops, including:

- wage supplements for eligible clients;
- financial support for therapy for workshop clients;
- additional financial support for workshops for training, including materials, equipment and supervision;
- opening of new markets for products of workshops;
- additional financial support to enable workshops to modernize facilities and methods consistent with needs of the clients;
- a technical assistance program for the workshops including management assistance;
- new out-placement services for workshop clients; and
- a revision in Federal public assistance laws or regulations to provide that income from work performed in sheltered workshops not be counted against the amount given in public assistance, at least up to a specified point.

Two additional studies mandated by the Congress in the Rehabilitation Act of 1973 (Public Law 93-112) have relevance to severely handicapped clients in sheltered workshops. These studies were completed in 1974-75:

1. "The Role of Sheltered Workshops in the Rehabilitation of the Severely Handicapped" conducted by Greenleigh Associates was somewhat parallel in scope to the Department of Labor Sheltered Workshop Study. It was originally envisaged as a joint project with the Department Study but delays in enactment of the Rehabilitation Act made a cooperative venture impractical. The Department of Labor proceeded independently in mid-1973 but a complete list of certificated workshops and the approximate number of clients employed by them was provided to Greenleigh staff by DOL staff. DOL representatives also served as liaison group members for the Greenleigh Study.

The methodology of the Greenleigh Study differed from the DOL Study in that Greenleigh used a sample of 400 workshops rather than the total universe of more than 2,000 workshops included by the DOL Study. The Greenleigh Study also included a survey through personal interview of 2,140 randomly selected client/employees or former employees of workshops.

The motivation for the Greenleigh Study was based on testimony during the Congressional hearings pertaining to Rehabilitation Act Amendments which suggested that:

- workshops provide sub-par working conditions and wages;
- capable clients are not placed in competitive employment by workshops; and
- long-term or extended employment in workshops lacks dignity as human services outcome.

The findings of the Greenleigh Study generally serve as reinforcement for the conclusions of the DOL Workshop Study and are referenced as appropriate in the main body of the report. Of special interest was the multi-faceted role of the sheltered workshop which emerged from the study:

. As a provider of rehabilitation services and/or problem reduction to individual handicapped clients;
. As a developer of job opportunities and placement for handicapped clients in the competitive employment market;
. As an employer for severely limited clients and others for whom job opportunities do not exist in the community; and
. As a socialization, information and recreation center for handicapped people who have very limited access to the rest of the community in which they reside.

2. The "Comprehensive Needs Study of Individuals with the Most Severe Handicaps" by the Urban Institute was designed to identify the most severely handicapped population and to evaluate the feasibility of serving this group without having vocational objectives. This group included only those persons whose handicapping condition was so severe that they could not reasonably be expected to be rehabilitated for employment, but for whom a program of rehabilitation services could improve their ability to live independently and function normally within their family and community.

The study was conducted through data file analysis (including a review of state rehabilitation agency client files), client surveys, a review of existing literature and constituency impact assessments.

The study findings are difficult to summarize because of the many variables including client volume (target population size), financing and administration. The Comprehensive Needs Study has relevance to the workshop study because it deals with the problems of severely disabled persons, a large percentage of whom could benefit from services generally provided in sheltered workshops including personal adjustment training, family and personal counseling, and social work. Major barriers identified in the study -- housing, transportation, mobility, physical access to buildings, social attitudes, economic disincentives and funding resources -- were also identified by the Greenleigh Study and other research sponsored by the Department of Health, Education and Welfare as barriers to clients seeking services and/or employment in rehabilitation facilities, especially workshops and work activities centers.

The Study concludes that the severely disabled have little hope for employment in the competitive labor market because of the complexity of their needs. It recommends that the workshop movement be expanded to accommodate an estimated one million severely disabled persons who could benefit from extended, long-term sheltered employment.

IV. THE DOL SHELTERED WORKSHOP STUDY

A. Background

This study of sheltered workshops and handicapped persons served by them represents a comprehensive and systematic collection and analysis of data in response to requests and interests of several groups. Standing committees of both the U.S. Senate and the House of Representatives have requested information concerning the operations and policies of sheltered workshops in order to have a better basis for considering legislation affecting workshops. The DOL's Advisory Committee on Sheltered Workshops requested data necessary for an evaluation of the "work activities center" concept established by the 1966 Amendments to the FLSA.

In addition, the DOL's Employment and Training Administration is interested in the feasibility of utilizing workshops as a resourse for providing training and job opportunities for hard-to-place, socially "disadvantaged" nonhandicapped individuals.

The DOL is responsible for issuing certificates to qualified sheltered workshops and for monitoring the compliance of such workshops with the requirements of Section 14(c) of the FLSA and the regulations thereunder. In addition it has been assigned responsibility for implementation of Section 503 of the Rehabilitation Act of 1973 (Public Law 93-112) regarding employment of handicapped persons by Federal government contractors. Sheltered workshops are expected to play a significant role in developing qualified handicapped persons for the Section 503 program.

B. Objectives of the Study

This study was developed as a multi-purpose operation intended to assist the many interested organizations and agencies in evaluating the existing programs and planning for the improvement of services to handicapped persons in the future.

The primary objectives of the study were as follows:

1. To determine the feasibility of raising existing wage standards for sheltered workshop clients;
2. To evaluate the effects of separation of the work activities center clients (inconsequential producers) from regular program clients (better producers) as provided by the 1966 Amendments to the FLSA;
3. To determine the prevalence, extent and type of fringe benefits provided to handicapped workers, and their participation in collective bargaining;
4. To ascertain the workshops' capacity for serving additional clients;
5. To evaluate the workshops' potential for serving disadvantaged, nonhandicapped persons;
6. To determine the extent of educational and/or therapeutic programs and services required to enhance the movement of handicapped clients into competitive employment; and
7. To evaluate the impact of Federal employment and training programs on sheltered workshops.

Secondary objectives of the study included:

1. To identify the types of commodities and services available for procurement by the Federal government under the terms of the Wagner-O'Day Act (Public Law 93-28); and
2. To identify additional legislation and/or legislative changes necessary to enhance employment opportunities for handicapped persons.

V. CHARACTERISTICS OF WORKSHOPS AND CLIENTS

Tables 1 and 2 present the numerical and percent distributions of workshops and clients by type of organization, type of operation, and type of program.

A. Workshops

Of the 1,786 workshop establishments reporting, three-fourths were operated as private corporations or components and the remaining fourth were publicly operated. Ninety-one percent of the establishments were certificated by the DOL under the FLSA while the remaining nine percent of the workshops were operating without certification by the DOL (See Technical Note C5).

For purposes of this study data are reported for workshop establishments and for workshop programs. One or more programs may operate within a single workshop establishment. Three types of workshop programs are identified:

- regular program workshops
- work activities centers
- training and/or evaluation programs

Of the 2,530 workshop programs reporting, nearly one-half were work activities centers and one-third were regular program workshops. Sixty-eight percent of the workshop programs operated as single program establishments, i.e., no other workshop program operated with them. A majority of the single program establishments were work activities centers.

B. Clients

The average daily attendance (ADA) during the reporting year was 98,076 for workshops participating in the study. The distribution of clients by program generally followed the workshop distribution with 85 percent in regular program workshops and work activities centers, and 15 percent in training and/or evaluation programs. The clients were evenly divided between single program and multiple program establishments.

Table 1. Numerical and percent distribution of sheltered workshops and clients by certification status and organization by type of workshop program, United States, 1973

Type of workshop program	Total		Certificated workshops		Noncertificated workshops		Private workshops		Public workshops	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Workshops										
Number of reporting workshop establishments 1/	1,786	100	1,623	91	163	9	1,365	76	421	24
Total number of workshop programs	2,530	100	2,355	93	175	7	2,030	80	500	20
All regular program workshops	851	100	787	92	64	8	725	85	126	15
All work activities centers	1,167	100	1,093	94	74	6	873	75	294	25
All training and/or evaluation programs	512	100	475	93	37	7	432	84	80	16
Regular program workshop only	339	100	284	84	55	16	267	79	72	21
Work activities center only	809	100	741	92	68	8	559	69	250	31
Training and/or evaluation programs only	77	100	49	64	28	36	42	55	35	45
Regular program workshop and work activities center	126	100	123	98	3	2	107	85	19	15
Regular program workshop and training and/or evaluation programs	203	100	197	97	6	3	183	90	20	10
Work activities center and training and/or evaluation programs	49	100	46	94	3	6	39	80	10	20
Regular program workshop, work activities center and training and/or evaluation programs	183	100	183	100	-	-	168	92	15	8
Clients										
Number of clients, total 2/	98,076	100	91,194	93	6,882	7	78,089	80	19,987	20
All regular program workshops	36,978	100	34,181	92	2,797	8	32,534	88	4,444	12
All work activities centers	46,273	100	43,445	94	2,828	6	33,110	71	13,163	29
All training and/or evaluation programs	14,825	100	13,568	92	1,257	8	12,445	84	2,380	16
Regular program workshop only	14,774	100	12,262	83	2,512	17	11,807	80	2,967	20
Work activities center only	34,732	100	31,975	92	2,757	8	22,973	66	11,759	34
Training and/or evaluation programs only	2,901	100	1,797	62	1,104	38	1,420	48	1,481	51
Regular program workshop and work activities center	7,810	100	7,688	98	122	2	6,426	82	1,384	18
Regular program workshop and training and/or evaluation programs	17,876	100	17,619	99	257	1	16,843	94	1,033	6
Work activities center and training and/or evaluation programs	3,580	100	3,450	96	130	4	2,879	80	701	20
Regular program workshop, work activities center and training and/or evaluation programs	16,403	100	16,403	100	-	-	15,741	96	662	4

1/ Unduplicated total.
2/ Average daily client attendance.

Source: Appendix tables 1-6.

Table 2. Numerical and percent distribution of sheltered workshops and clients by type of workshop program, by certification status and organization, United States, 1973

Type of workshop program	Total		Certificated workshops		Noncertificated workshops		Private workshops		Public workshops	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
					Workshops					
Total number of workshop programs	2,530	100	2,355	100	175	100	2,030	100	500	100
All regular program workshops	851	34	787	33	64	37	725	36	126	25
All work activities centers	1,167	46	1,093	47	74	42	873	43	294	59
All training and/or evaluation programs	512	20	475	20	37	21	432	21	80	16
Total workshop establishments 1/	1,786	100	1,623	100	163	100	1,365	100	421	100
Regular program workshop only	339	19	284	17	55	33	267	20	72	17
Work activities center only	809	46	741	46	68	42	559	41	250	59
Training and/or evaluation programs only	77	4	49	3	28	17	42	3	35	8
Regular program workshop and work activities center	126	7	123	8	3	2	107	8	19	5
Regular program and training and/or evaluation programs	203	11	197	12	6	4	183	13	20	5
Work activities center and training and/or evaluation programs	49	3	46	3	3	2	39	3	10	2
Regular program workshop, work activities center, and training and/or evaluation programs	183	10	183	11	-	-	168	12	15	4
					Clients					
Number of clients, total 2/	98,076	100	91,194	100	6,882	100	78,089	100	19,987	100
All regular program workshops	36,978	38	34,181	37	2,797	41	32,534	42	4,444	22
All work activities centers	46,273	47	43,445	48	2,828	41	33,110	42	13,163	66
All training and/or evaluation programs	14,825	15	13,568	15	1,257	18	12,445	16	2,380	12
Regular program workshop only	14,774	15	12,262	13	2,512	36	11,807	15	2,967	15
Work activities center only	34,732	35	31,975	35	2,757	40	22,973	29	11,759	59
Training and/or evaluation program only	2,901	3	1,797	2	1,104	16	1,420	2	1,481	7
Regular program workshop and work activities center	7,810	8	7,686	8	122	2	6,426	8	1,384	7
Regular program workshop and training and/or evaluation programs	17,876	18	17,619	19	257	4	16,843	22	1,033	5
Work activities center and training and/or evaluation programs	3,580	4	3,450	4	130	2	2,879	4	701	4
Regular program workshop, work activities center, and training and/or evaluation programs	16,403	17	16,403	18	-	-	15,741	20	662	3

1/ Unduplicated count.
2/ Average daily client attendance.

Source: Appendix tables 1-6.

Eighty percent of the clients were served in privately operated workshops and 20 percent in publicly operated workshops. A major portion of the clients in publicly operated workshops were in work activities centers and two-thirds of these centers served primarily mentally retarded persons.

Only seven percent of the clients were served in noncertificated programs except that 17 percent of the clients in single program regular program workshops and 38 percent of the clients in single program training and/or evaluation program establishments were in noncertificated workshops.

C. Workshop Classification by Primary Disability Group

Workshops were grouped according to the primary disability or disabilities represented in the client population served. Data were collected separately for disabilities with substantial numbers of clients -- those that served a substantial number of clients with one type of disability were classified by that disability, and those that served more than one major disability type but not a majority of any one type were classified as "general" workshops. Those workshops that served a major disability group that was not large enough in numbers in that type of workshop were grouped in a "miscellaneous" category (e.g., cerebral palsy, cardiac, orthopedic). These classifications (groupings) were identified throughout the report as "primary disability groups" to describe the type of disability of most (but not necessarily all) of its clients.

Of the total workshop programs reporting, one-half were classified as mentally retarded programs and one-third were classified as general programs (Appendix tables 1 and 2). Each of the other groups -- blind, mental illness, alcoholic, and miscellaneous -- represented six percent or less for each category.

Of the regular program workshops about one-half were classified as general workshops, one-fourth as mentally retarded and 12 percent as blind workshops.

Nearly three-fourths of the work activities centers were classified as programs for the mentally retarded and nearly one-fifth were classified as general workshops.

General programs constituted half of the training and/or evaluation programs while slightly more than one-third were mentally retarded group programs.

Two-thirds of the clients in regular program workshops were in general workshops; three-fourths of the clients in work activities centers were in mentally retarded centers; more than half of the clients in training and/or evaluation programs were in general programs and nearly one-third were in mentally retarded programs.

D. National Organization Member Workshops

Data were also summarized separately for workshops which were members of selected national organizations: Goodwill Industries of America (GIA), National Industries for the Blind (NIB), and Volunteers of America (VOA). GIA member workshops were classified as general workshops; NIB member workshops were classified as blind workshops: and VOA member workshops were classified as alcoholic workshops (Appendix tables 7-10).

The membership of the national organizations was mostly in regular program workshops. GIA workshops represented 20 percent of total regular program workshops and served 41 percent of the clients; NIB workshops represented 9 percent of regular program workshops and clients; and VOA workshops represented 4 percent of regular program workshops and 2 percent of the clients.

E. Primary Disability of Clients

The payroll data collected for the survey week including May 15, 1973 provided information on the primary disability of each client receiving wages (Appendix table 13). Client disability data were not collected for the annual reporting period.

Fifty-seven percent of the clients served in all workshops had mental retardation as their primary disability. This group had the largest percentage in each of the programs -- thirty percent of the clients in regular program workshops, more than three-fourths in work activities centers and half of the total number in training and/or evaluation programs.

Nearly all workshops served more than one disability, especially the mentally retarded clients, in addition to their primary group. About two-thirds of the workshops served clients with mental illness/emotional handicaps but less than half of the workshops served visually handicapped clients.

The concentration of disability types in workshops seemed to reflect the general level of physical and/or mental function of the type of client. Blind/visually handicapped clients were found mostly in regular program workshops whereas most of the mentally retarded clients were served in work activities centers. Mental illness clients were distributed almost equally among the three programs but three-fourths of the orthopedically handicapped clients were found in regular program workshops.

F. Sex of Clients

The May 1973 payroll data also indicated the sex of clients: females comprised from 43 to 46 percent of clients in the programs and males from 54 to 57 percent (Appendix table 14).

G. Average Daily Client Attendance (ADA)

Workshops reported an average daily client attendance for the year of 98,076 clients in all programs (attendance during the survey week of May 1973 was 88,791 or 91 percent of the annual average daily attendance).

The average daily attendance per workshop establishment reporting was 55 clients. The average daily client attendance per workshop program was as follows:

Regular program workshops	43
Work activities centers	40
Training and/or evaluation programs	29

More than one-third of the regular program workshops and work activities centers had fewer than 20 clients (ADA) and three-fourths had fewer than 50 clients.

The training and/or evaluation programs tended to be even smaller in client size but this was not very significant because 85 percent of these programs were operated as parts of multiple program establishments.

Following is a comparison of the distribution of clients by work shop employment size in the 1973 Study with the comparable distribution found in the 1967 Study of Workshops by the DOL:

	All workshops		Percent of clients in workshop with			
	Number of clients	Percent of total	Fewer than 20 clients	Fewer than 50 clients	Fewer than 200 clients	200 or more clients
Clients in all programs:						
1967	35,460	100	7	32	81	19
1973	98,076	100	14	59	88	12
Clients in regular program workshops:						
1967	14,474	100	5	23	70	30
1973	36,978	100	16	40	98	2

The percentage of clients in the fewer-than-20-clients workshops doubled for the total workshop operation and tripled for regular program workshops. The 1967 report did not present data on work activities center size separately because it was relatively new concept, but the rapid growth pattern presented later suggests a substantial increase in small work activities centers.

H. Years of Operation of Workshops

The age of the workshop did not directly correlate with the level of client employment or services provided, but new workshops were shown to be less effective in some functions. The distribution of workshops by years of operation (Appendix table 15) shows that 11 percent were one year old or less and one-fifth were less than 3 years old, and more than one-third less than 5 years old. Work activities centers tended to be newer; more than half were less than 5 years old, compared with one-fifth of the regular program workshops. The less-than-5 year age indicates establishment after enactment of the 1966 Amendments to the FLSA.

I. Growth of Workshops

The Wage and Hour Division compiles periodic data on the number of certificated workshops and clients served by them. Data have been summarized and compared for three periods considered to be significant in the workshop study March 1968, June 1973, and June 1976 -- because they relate to data analysis periods.

The growth of workshop programs in these periods was mostly in work activities centers:

Certificated workshop programs	Number		Growth 1968-73		Number	Growth 1968-76	
	March 1968	June 1973	Number	Percent	June 1976	Number	Percent
Regular program workshops	660	1,056	396	60	1,327	667	101
Work activities centers	468	1,418	950	203	2,252	1,784	381
Training and/or evaluation programs	1/	657	---	---	839	182	28
Total all programs	1,128	3,131	2,003	178	4,418	3,290	292

1/ Training and/or evaluation programs were not reported separately in the 1968 study, data for those programs were included in the regular program workshop total.

Source: U.S. Department of Labor, Division of Wage Hour Statistics.

The growth in the number of clients served in the certificated workshop programs in the 1968-73 and the 1968-76 periods was also concentrated in work activities centers and it was greater than the growth of the other two programs combined. The number of clients tripled in the five-year period between the two studies and has more than doubled in the three-year period following the 1973 study. Over the eight-year period 1968-76 seventy percent of total workshop client growth was in work activities centers:

Type of workshop program	Number		Growth 1968-73		Number	Growth 1968-76	
	March 1968	June 1973	Number	Percent	June 1976	Number	Percent
Regular program workshops	17,428	29,758	12,330	71	33,837	16,409	94
Work activities centers	14,125	42,403	28,278	200	88,735	74,610	528
Training and/or evaluation programs	7,971	15,187	7,218	90	22,870	14,899	187
Total clients	39,524	87,348	47,824	121	145,442	105,918	268

Source: U.S. Department of Labor, Division of Wage Hour Statistics.

The changing composition of the client population is reflected in the percentage of clients served in each of the three periods.

Type of program	Percent of clients 1968	1973	1976
Regular program workshop	44	34	23
Work activities center	36	49	61
Training and/or evaluation program	20	17	16
Total all programs	100	100	100

Two explantions for the growth in work activities center clients are suggested: (1) The national "deinstitutionalization" movement which was returning mentally retarded persons and persons recovering from mental illness to the community from state institutions; and (2) the expansion of funding for social services and extended care for severely handicapped persons under Federal, State and local government support programs.

Another possible factor in the shift of clients may have been the greater flexibility accorded a work activities center under FLSA regulations as compared to the requiremrnts of a regular program workshop operation. In order to serve the serevely limited client the workshops may have elected to secure a work activities center certificate, involving a group certificate, rather than attempting to serve those clients who cannot meet regular program workshop standards through the use of individual rate certificates. The need for a closer examination of the work activities center operation is suggested to determine whether the shift has in fact resulted in expanded services to clients with greater severity of disability.

A comparsion of the 1967 and 1973 studies shows that the greatest growth has been in programs serving primarily the mentally retarded persons and the greatest percentage increase was for mental illness groups. These are the dominant groups in work activities centers and are generally considered the most serverly limited clients.

J. Geographic Distribution of Workshops and Clients

The geographic distribution of workshops generally follows the distribution of the total population in the United States, with the highest number of workshops being in the North Central area and the lowest number being in the West (Appendix table 11). The distribution of clients follows the same general pattern. The North Central region contains 33 percent of all workshop establishments and serves 33 percent of all clients; the West contains 17 percent of all workshop establishments and serves the same percentage of clients.

The distribution of workshops by State also follows population density rates (Appendix table 15). New York has the highest number, followed by California, Pennsylvania, Illinois and Ohio -- in that order. Fourteen states had fewer than 10 workshops.

K. Workshop Current Client Capacity and Potential

One of the objectives of the study was to analyze the current capacity of workshops and determine the potential for serving more handicapped persons and/or other nonhandicapped persons.

Workshops were asked to provide estimates of:

- Total number of clients served during the year (It should be noted that these data may have included clients who received rehabilitation services but were not employed in work programs);
- Average daily client attendance during the year, by type of workshop program;
- Highest number served during any one week;
- Maximum number of handicapped persons that could be served daily -- taking into account the size of the facility and assuming adequate staff and work available;
- Comparison of maximum capacity to workshop capacity in February 1967; and
- Additional number of handicapped persons that could be served daily with present staff (assuming the availability of sufficient work).

Table 3 provides a summary of data presented in Appendix tables 21-23. The annual number of clients served in all programs was 2.7 times the average number served daily. The highest rate of turnover was in training and/or evaluation programs (4.3) in which clients are provided services and moved out to other programs and/or employment. The lowest turnover was in work activities centers in which clients are considered to be inconsequential producers and in need of extended services.

Workshops were substantially underutilized. Nearly half of the workshops reported additional unused capacity. The estimates indicate a capacity to serve almost twice the number of clients actually served during the year if adequate staff and work were available.

Table 3. Sheltered workshop current capacity and potential for serving additional clients, 1973

	All workshops	Regular program workshops	Work activities centers	Training and/or evaluation programs
Total clients served during year	267,920	118,167	85,391	64,362
Highest number of clients served during any one week	120,997	45,326	56,263	19,408
Average daily attendance	98,076	36,978	46,273	14,825
Maximum number that can be served daily 1/	188,240	72,682	85,398	30,160
. Percent of average daily attendance	192	197	185	203
Workshops that can serve additional clients in present facility: 2/	1,115	580	617	298
. Average daily attendance	59,962	28,019	22,609	9,334
. Additional clients that can be served	28,014	13,900	8,997	5,117
. Percent of average daily attendance	47	50	40	55

1/ Assuming adequate staff and work available.
2/ With present staff assuming available and sufficient work.

Source: Appendix tables 21-23.

L. Client Applicants for Service, Rejections and Lay-offs

A handicapped person becomes involved in workshop services, including employment, through a variety of entry methods: referral by a sponsoring (fee paying) agency, by another agency providing services, by other community agencies or individuals, or by self referral. Entry may also be gained by transfer from another agency, school or institution. Handicapped persons may make application for services such as training or evaluation and be transferred to an employment program upon completion of evaluation and/or training. A client also may be placed in employment in a regular program workshop or a work activities center directly from application status.

The acceptance of a handicapped person into a workshop program is affected by a variety of circumstances and conditions. Workshops were asked to provide data on the number of persons making application for services, the number rejected and the primary reason for rejection.

1. Client applications and non-acceptance

Regular program workshops reported a total of 99,527 applications for services; nearly one-third were not accepted. The most frequent reason for rejection was "lack of work" (Appendix table 28).

One-fifth of the 59,645 applicants for services in work activities centers were not accepted, mostly because of lack of space, but frequently because the client's disability was too severe.

Over 90 percent of the 59,885 applicants for training and/or evaluation program services were accepted. Of the nine percent who were rejected most had disabilities that were considered too severe. The lack of training fee was not a significant cause -- six percent of clients not accepted were rejected for this reason, and only nine percent because of lack of adequate funding.

In the acceptance of clients in all programs financial support did not appear to be a significant factor.

2. Client lay-offs for lack of work

The problem of lay-offs was also explored in the survey to determine the extent, frequency and degree of lay-offs of clients. The response by the workshops indicated that this was not a major problem (Appendix table 29).

Less than one-third of the regular program workshops reported client lay-offs. Only four percent of the clients served were laid off and the length of lay-off was less than four weeks for nearly two-thirds of the clients involved.

The problem was even less significant in the other two programs. Only 12 percent of the work activities centers reported lay-offs involving 5 percent of their clients. Less than ten percent of the training and/or evaluation programs had clients laid-off during the year, and an insignificant one percent of their clients were involved. In both programs most of the lay-offs were of less than four weeks duration.

VI. FINANCIAL OPERATIONS OF WORKSHOPS

The primary objective of the workshop is to provide rehabilitation services including employment to handicapped persons, and the financial operation has a major impact on the effectiveness of the workshop in meeting its primary objective.

The workshop survey collected data which permit an analysis of the financial operation. The data show that two types of funding exist in a majority of workshop operations: "Capital funding" which pertains to income and expenditures for buildings and major equipment, and "operating funding" which pertains to income and expenditures related to the operation of the workshop organization.

This section will review and analyze financial data by source and type, as reported by the workshops for calendar or fiscal year 1972 or 1973. Informal comments from sheltered workshop directors and Advisory Committee members suggest that these data may represent a more reliable profile of the current workshop operation than similar data for calendar/fiscal year 1974 or 1975 because the impact of the economic recession (during 1974 and 1975) caused wide fluctuations in workshop operations, especially in the work program.

Any interpretation of financial data should take into consideration the time differences and changes in the economy and the Federal funding program which may have occurred in the intervening period.

A. Operating Income

Workshop operating income derives from three major source categories:

- Income from work program - receipts for the production of goods and services by employees.
- Income from evaluation and training fees - receipts for rehabilitation services provided to handicapped clients.
- Subsidy income - gifts, grants, membership dues, endowments and allocations by community funding agencies to assist in underwriting an operating deficit incurred by the workshop, or to support special operations within the workshop.

In this study the first two types (income from work and fees) were combined into "earned operating income" which represented income generated (or produced) by the workshop clients and the staff.

1. Income by major sources - all programs

Regular program workshops depended on the work program for nearly three-fourths of their operating income while the work activities centers received less than a third of their operating income from that source (Table 4).

Subsidy income was the largest source of support for work activities centers but the average subsidy per workshop was higher for regular program workshops than for work activities centers.

Training and evaluation programs received nearly one-half of their income from fees and the balance was divided almost evenly between the other two sources.

The average work program income for work activities centers was only ten percent of the regular program workshop even though the average daily attendance size difference was very slight -- 43 clients in regular program workshops and 40 clients in work activities centers.

Fees for training and evaluation were not restricted to training and evaluation programs. Two-thirds of the training and evaluation fees went to regular program workshops and work activities centers, suggesting that a significant number of clients were receiving evaluation or training without being in a separately identified training or evaluation program.

Table 4. Annual operating income of sheltered workshops by major source, 1972

	Amount (in thousands)	Percent	Average income (in thousands)
All workshops/all programs			
Income from work program	$232,101	59	$131
Income from training and evaluation fees	72,411	19	64
Subsidy income	86,269	22	67
Total operating income	390,781	100	219
Regular program workshops			
Income from work program	192,489	73	232
Income from training and evaluation fees	28,290	11	56
Subsidy income	41,182	16	66
Total operating income	261,961	100	308
Work activities centers			
Income from work program	26,466	32	23
Income from training and evaluation fees	22,754	27	40
Subsidy income	33,799	41	44
Total operating income	83,019	100	72
Training and/or evaluation programs			
Income from work program	13,147	29	40
Income from training and evaluation fees	21,367	47	71
Subsidy income	11,289	24	48
Total operating income	45,803	100	90
All operating income			
Regular program workshops	261,960	67	308
Work activities centers	83,018	21	72
Training and evaluation programs	45,803	12	90
Total - all operating income	390,781	100	219

Source: Appendix tables 45-49.

2. Income by primary disability group

There was wide variation between workshops classified by primary disability groups served in major sources and in total operating income:

(a) Regular program workshops

Table 5 provides a comparison of average income per regular program workshop, and income per client served by major source. The blind group showed the highest income per client from the work program and subsidy, and the lowest fee income per client. The mental illness and mentally retarded groups showed the lowest work program income per client -- only 11 to 14 percent of that of the blind group.

Although fee income did not vary widely among groups, subsidy income for general group programs was less than one-half that of the mentally retarded group and less than one-third of the blind group.

The general group, the blind group, and the alcoholic group were most dependent on work program income but the mentally retarded group was more dependent on subsidy income.

The mental illness group had by far the lowest average income per client served with little difference in average per major source.

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Table 5. Regular Program Workshops: Annual operating income by major source and primary disability group, 1972

Income source	Primary disability group				
	General	Mentally retarded	Blind	Mental illness	Alcoholic
Average clients per program: 1/	60	23	41	28	26
Average income per program:					
Work program income	$292,000	$ 42,000	$534,000	$42,000	$157,000
Training and evaluation fees	74,000	31,000	44,000	40,000	227,000
Subsidy income	60,000	49,000	147,000	36,000	21,000
Total income 2/	384,000	98,000	663,000	76,000	162,000
Average income per client served: 1/					
Work program	4,867	1,826	$ 13,024	1,500	6,038
Fee income	1,233	1,348	1,073	1,428	3/
Subsidy income	1,000	2,130	3,585	1,286	808
Total income 2/	6,400	4,261	16,170	2,714	6,230

1/ Average daily client attendance.
2/ Averages do not add to total because of differences in number of programs reporting income by source.
3/ Only one workshop reported fee income.

Source: Appendix tables 45-49.

(b) Work activities centers

A comparison of average income per work activities center and per client served showed a pattern similar to the regular program workshop but the work activities center total operating income per client served was only 36 to 42 percent of the regular program workshop average (Table 6). The greatest difference was in the work program in which the three major groups -- general, mentally retarded and mental illness -- showed average income per client of only one-fifth to one-third of the regular program workshop income.

The mentally retarded group centers, representing 75 percent of all centers, had average subsidy income which was less than half the corresponding average for regular program workshops, and fee income was two-thirds that of regular program workshops.

Table 6. Work Activities Centers: Annual operating income by major source and primary disability group served, 1972

Income source	Primary disability group 1/			
	General	Mentally retarded	Blind	Mental illness
Average clients per program: 2/	29	42	25	45
Average income per program:				
Work program income	$25,000	$23,000	$ 29,000	$21,000
Training and evaluation fees	38,000	39,000	24,000	67,000
Subsidy income	37,000	43,000	230,000	35,000
Total income 3/	72,000	74,000	173,000	44,000
Average income per client served: 2/				
Work program income	862	548	1,160	467
Fee income	1,310	929	960	1,489
Subsidy income	1,276	1,024	9,200	778
Total income 3/	2,483	1,762	6,920	978

1/ Alcoholic and miscellaneous groups were too small to be significantly compared.
2/ Average daily client attendance.
3/ Averages do not add to total due to differences in number of programs reporting income by source.

Source: Appendix tables 45-49.

(c) Training and/or evaluation programs

The financial operation of the training and/or evaluation programs is distinctly different from regular program workshops or work activities centers in that the focus on services rather than production is much greater. Work program income is incidental to the operation, and employment wages are subordinate to training and evaluation services.

Fees consistently averaged highest per client in general group programs which represented more than half of the clients served (Table 7). The mental illness group had the highest fee and subsidy income per client but represented only 8 percent of the clients served. The mental illness group appeared to get its best support in training and/or evaluation programs; it ranked lowest in average income per client served for the other two programs.

Not all of the training and/or evaluation programs received fees: only 58 percent of the general group, two-thirds of the mentally retarded group, less than one-half of the blind group and 54 percent of the mental illness group. Even fewer programs received subsidy incomes: one-third of the mental illness group and the blind group, one-half of the mentally retarded group and four-fifths of the general group. The data did not show how many programs received both types of support but it appears that some of the blind and mental illness programs did not receive either type of operating income.

Table 7. Training and/or Evaluation Programs: Annual operating income by major source and primary disability group served, 1972

Income source	Primary disability group 1/			
	General	Mental retardation	Blind	Mental illness
Average clients per program: 2/	32	26	13	48
Average income per program:				
Work program income	$ 52,000	$27,000	$18,000	$ 50,000
Training and evaluation fees	87,000	40,000	31,000	206,000
Subsidy income	49,000	38,000	27,000	179,000
Total income 3/	103,000	67,000	31,000	213,000
Average income per client 2/				
Work program income	1,625	1,038	1,385	1,042
Fee income	2,719	1,538	2,385	4,292
Subsidy income	1,531	1,461	2,076	3,729
Total income 3/	4,120	2,576	2,385	4,438

1/ Alcoholic and miscellaneous groups were too small to be significantly compared.
2/ Average daily client attendance.
3/ Averages do not add to total due to differences in number of programs reporting income by source.

Source: Appendix tables 45 - 49.

3. Income by type of organization

(a) Publicly and privately operated programs

Average income for privately operated workshop programs was more than twice as large as that of the publicly operated programs but there was very little difference in the average number of clients served (Appendix tables 47 and 48). The lower average income could possibly be due to the funding system; for example, some of the public programs may have operated their own buildings in state institutions and did not report building occupancy expenses, or the staff may have been provided from a central source without income and expenses being shown by the workshop.

(b) Single and multiple program establishments

More than two-thirds of the establishments in the survey were single program operations. The multiple program establishments had a consistently higher average income from all major sources (Appendix tables 45 and 46). The average income per client was $3,349 for single program establishments and $4,704 for multiple program establishments. The major difference was in fee income. The multiple program establishments showed twice the amount of fee income per client. This difference may have been due to a greater amount of professional services being provided in the multiple program establishments.

B. Income from Work Program by Type of Work

Four types of work were reported by workshops:

Subcontract - contracts with industry or other suppliers to perform a production service such as assembly of components, and processing or repair of units provided by the contractor or manufacturer.

Manufacture of new goods - prime manufacturing of a commodity.

Services rendered - services provided to government agencies and to private, commercial or industrial firms.

Other - including reprocessing of household goods, salvage and sales.

Subcontract work was the most common type of work found in workshops (Appendix tables 75 and 76). More than two-thirds of the workshop clients were employed in subcontract work. Most of the subcontract work involved simple bench assembly operations such as packaging of components and collating. Virtually all of the work activities centers and two-thirds to three-fourths of the training and/or evaluation programs reported income from simple bench work. A similar range of regular workshops reported income from bench assembly work with the highest percentage in mental illness and mentally retarded group workshops.

The blind group workshops were dominant in the manufacturing operations and the most popular products were machine-sewn items, followed closely by mops, brooms and brushes.

1. Types of work by workshop program

(a) Regular program workshops

Nearly half of the work program income in regular program workshops came from the "other" category -- salvage, reprocessing and sales. An additional one-fourth was derived from manufacturing (Appendix tables 47-49). Subcontract work represented less than one-fourth of the total regular program workshop income from the work program.

Regular program workshops which were members of National Industries for the Blind had a substantial involvement in manufacturing and members of Goodwill Industries

of America were heavily involved in "other" (salvage and reprocessing) work. In blind group programs operating as regular program workshops, manufacturing income averaged $434,000 per workshop and represented 82 percent of the work program income. "Other" work income averaged $207,000 per workshop in general group workshops, accounting for nearly three-fourths of their work program income.

Subcontract work was more important for the mental illness and mentally retarded group workshops but the average income per workshop was only a fraction of the average income from manufacturing and "other" work. The mentally retarded group workshops averaged $27,000 for subcontract work, this accounted for nearly two-thirds of the work program income; mental illness group workshops averaged $34,000 for subcontract work representing 82 percent of their work program income.

Income from services rendered was insignificant in all groups.

(b) Work activities centers

More than four-fifths of the work income was produced by subcontract work and the average per center ranged from $17,000 to $19,000, with very little difference among primary disability groups.

(c) Training and/or evaluation programs

Subcontract work was also the major source of work income for training and evaluation programs, representing three-fifths of the total work income. When primary disability groups were compared, there appeared to be some correlation between the size of client attendance and the average subcontract income per workshop -- the larger the greater the percentage subcontract work represented of the work program income.

2. Government and nongovernment work

The flow of Federal government work into blind workshops was stimulated by the Wagner-O'Day Act of 1938 which made special provisions for the purchase by the Federal government of commodities produced by blind persons. The Act was amended in 1971 to include the purchase of services and coverage of the Act was extended to include the products of other severely handicapped persons in addition to blind persons. The impact of the Wagner-O'Day Act on work supply

in workshops employing non-blind severely handicapped persons was minimal at the time of the study because the new provisions had not been fully implemented. Of 58 workshops reporting Wagner-O'Day work only 13 workshops serving other than blind persons were involved. The total Wagner-O'Day work income for these workshops amounted to only $104,000 -- less than one-half of one percent of the total. But 45 blind group workshops reported a total of $20,030,000 in Wagner-O'Day work income. An informal 1976 report on Federal government sales under the Wagner-O'Day Program estimated sales potential at 50 million dollars for workshops for the blind and 10 to 12 million dollars for workshops serving other severely handicapped persons in 1977. 1/

State government work flow to workshops mostly developed from enactment of State versions of the Wagner-O'Day Act in several states -- according to informal reports from various State rehabilitation agencies. Workshops also secured State work through direct bidding on contracts but the extent was not determined in this study. A total of 107 workshops reported a total of $3,575,000 in State government work representing 2 percent of total work income.

Nongovernment work accounted for 87 percent of the work program income in regular program workshops and 98 percent in work activities centers and training and/or evaluation programs (Appendix tables 50 and 51).

C. Income from Training and Evaluation Fees

Nearly two-thirds of the workshops reported income from fees. Of the workshops which received fees-43 percent were multiple program establishments, and 57 percent operated as single program establishments. The fee income was divided 63 percent to multiple-program establishments and 37 percent to single program establishments.

Workshops traditionally have been closely associated with the State vocational rehabilitation agencies as evidenced by special provision in the 1965 and 1968 Amendments to the Vocational Rehabilitation Act and the Rehabilitation Act of 1973, which authorized and directed special programs in sheltered workshops. In 1972 State rehabilitation agencies referred 199,000 clients to rehabilitation facilities including workshops and they expended $110 million in fees to support rehabilitation services to those clients.

1/ Committee for Purchase from the Blind and Other Severely Handicapped, "Report of the Executive Director", September 1976.

The questionnaire did not distinquish between the State rehabilitation agency and other public rehabilitation agencies in reporting the fee income, but reports from other Federal and State agencies suggest that a large portion of the fees may have come from State rehabilitation agencies, especially in the regular program workshops and training and/or evaluation programs.

A secondary source of fee payment began emerging in the early part of the seventies as the purchase of care provisions of the Social Security program were opened up for mentally retarded persons and other severely handicapped persons. Extended services were purchased from sheltered workshops, especially those operating as work activities centers.

Public rehabilitation agencies provided 83 percent of the fee income for regular program workshops and 90 percent for training and/or evaluation programs. Two-thirds of work activities center fee income was derived from this source.

D. Subsidy Income

Three-fourths of the workshops reported subsidy income in a pattern similar to fee income.

Seventy percent of the subsidy in regular program workshops, two-thirds in work activities centers and more that three-fourths of subsidy in training and/or evaluation programs was derived from public sources. The average annual subsidy in regular program workshops ranged from $36,000 for the mental illness group workshops to $147,000 for blind group workshops. The amount of the subsidy seemed to have a degree of correlation with the level of work program income. For example, the blind group had the highest volume of work program income and the highest average subsidy; the mental illness and mental retardation workshops had the lowest work program income and the lowest subsidy (Appendix tables 43-49).

The pattern of subsidy in work activities centers varied more with the blind group centers securing the larger share from private sources, and other groups depending on public sources for the major share of subsidy.

The mental illness group training and/or evaluation programs reported average subsidy per program of $179,000 of which 93 percent came from public sources, but only one-third of the programs reported subsidy income. Public

sources provided a major share of the subsidy in the other disability group training and/or evaluation programs except for the blind group which reported almost equal amounts from public and private sources.

E. Operating Expenditures

Workshops reported annual operating expenditures by major category for the reporting year (Appendix tables 52-58). Expenditures are influenced by the amount of operating income available. In an undertermined number of workshops, income and expenditures were separated into two categories:

- Industrial operations - related to the work program, and
- Rehabilitation services - related to the professional services provided to clients, including evaluation and training.

Income from the work program is generally used to pay expenses related to the industrial (or work) operation, and income from fees is used to pay the expenses related to the provision of rehabilitation services. Subsidy income is allocated to underwriting the deficit incurred in either operation but the majority of workshops appear to use subsidy revenue to support the rehabilitation services program.

Financial data collected in the survey did not separate expenditures into the two divisions because of the difficulty anticipated due to workshops not maintaining separate accounting for the two divisions. The workshops are required by the Fair Labor Standards Act to maintain separate records for work activities centers operated with other workshop programs, but there is no requirement for separating work program and rehabilitation services costs.

Workshops are generally relatively small operations, especially work activities centers which had average operating expenditures of $67,000, and training and/or evaluation programs in which the typical program had operating expenditures of $79,000.

1. Major expenditures by type

Table 8 summarizes expenditures by major source and average per workshop. The five to six percent plant and equipment expenditures reported do not appear to include capital investment. However, some workshops which do not have special "capital" funds as a resourse may rely entirely on earned or subsidy income for all plant and equipment expenditures.

Table 8. Annual operating expenditures by type of program and type of expenditure, 1972

Program and type of expenditure	Aggregate amount (in thousands)	Percent of total	Average per workshop (in thousands)
All workshops/all programs			
Plant	$ 10,750	3	$ 6
Equipment	6,544	2	4
Wages and salaries	216,376	58	121
Fringe benefits	18,499	5	12
Cost of production materials	51,009	14	29
Other work program expense	54,602	15	31
Supportive activities expense	12,420	3	7
Total expenditures	370,199	100	207
Regular program workshops			
Plant	6,630	3	8
Equipment	4,340	2	5
Wages and salaries	137,561	54	165
Fringe benefits	11,731	5	15
Cost of production materials	44,877	17	54
Other work program expense	39,854	16	48
Supportive activities expense	6,543	3	8
Total expenditures	251,536	100	296
Work activities centers			
Plant	2,831	4	2
Equipment	1,560	2	1
Wages and salaries	52,362	67	45
Fringe benefits	4,374	5	4
Cost of production materials	3,946	5	3
Other work program expense	10,260	13	9
Supportive activities expense	3,111	4	3
Total expenditures	78,444	100	67
Training and/or evaluation programs			
Plant	1,289	3	4
Equipment	644	2	2
Wages and salaries	26,452	66	78
Fringe benefits	2,394	6	8
Cost of production materials	2,186	5	6
Other work program expense	4,488	11	13
Supportive activities expense	2,766	7	5
Total expenditures	40,219	100	79

Source: Appendix tables 52-58.

Note: Amounts may not add to total because of rounding. Averages may not add to total because of differences in number of workshops reporting items.

Wage and salary expense was the most important item, representing more than one-half of the regular program workshop expenditures and two-thirds of expenses in work activities centers and in training and/or evaluation programs.

Fringe benefit expenditures were relatively low compared to industry standards. A separate chapter discusses the limited benefits provided to handicapped clients by workshops.

Expenditures for production materials were substantially higher in regular program workshops than in the other programs, probably due to the greater involvement in manufacturing in regular program workshops.

Supportive activities expense included expenditures for ancillary programs (e.g., recreation, meals, transportation and therapy) and for rehabilitation department operation. The extremely low percentage and average suggests that some rehabilitation expenses were not separately reported; for example, the wage and salary expense included professional staff salaries which might otherwise be reported under supportive activities expense.

2. Wage and salary expenditures

This item provides an indicator of the level of professional staffing and administrative supervision provided by the workshop. A separate chapter is devoted to analysis of wage payments to handicapped clients (which represented more than half of salary and wage expense in regular program workshops but less than one-third in work activities centers and training and/or evaluation programs).

The following is a comparison of average annual wage and salary expenditures per workshop and per client served (average daily attendance):

Type of personnel	Average expenditures: Regular program workshops — Per workshop	Regular program workshops — Per client	Work activities centers — Per workshop	Work activities centers — Per client	Training and/or evaluation programs — Per workshop	Training and/or evaluation programs — Per client
Handicapped clients	$88,000	$2,047	$13,000	$325	$22,000	$758
Professional staff	23,000	535	16,000	400	32,000	1,103
Administrative and technical staff	35,000	814	12,000	300	17,000	586
Clerical and maintenance	19,000	442	4,000	100	8,000	276

Wages paid to handicapped clients represented 29 percent of total operating expenditures in regular program workshops but only 19 percent in work activities centers and training and/or evaluation programs (Appendix tables 53, 54 and 56). The average expenditures per client for client wages in work activities centers was less than one-sixth of the corresponding average expenditure in regular program workshops -- a dramatic difference.

Average expenditures for professional salaries were substantially higher in training and evaluation programs. The expenditure per client served (ADA) was nearly three times that of work activities centers and twice the amount of regular program workshops; this differential is consistent with the greater professional emphasis of training and evaluation programs.

The higher averages for administrative and technical staff in regular programs may have been caused by greater emphasis on production as compared with services. The average amount shown for the work activities center administrative and technical staff suggests limitation to one relatively low-salaried administrator. However, some work activities center administrators may have operated more than one center.

The typical work activities center paid out two dollars in wages to administrative and professional staff for each dollar paid in wages to a handicapped client, whereas the regular program workshop paid only 66 cents in professional and administrative salary for each client wage dollar.

In wages and salaries expenditures by primary disability group workshops, the mental illness group spent $3.59 for professional and administrative staff for each dollar of client wages and the mentally retarded group paid out $3.22. The blind group paid lowest average professional salaries -- less than half the professional salaries in general and mental illness group workshops, and salaries of administrative and professional staff represented only two-thirds the amount of wages to handicapped clients.

F. Net Operating Gain or Loss

Workshops generally operate as nonprofit corporations -- 76 percent of the workshop establishments participating in the survey were privately operated nonprofit corporations. The nonprofit status pertains to use and distribution of operating surplus or margin and does not prohibit a workshop from having an operating gain in which operating income is greater than operating expense. Operating funds may be accumulated and carried forward to another operating year or they may be invested in special programs, or in improvement or expansion of facilities, equipment, staff and program.

Operating losses sustained by a workshop may cause a reduction in operation if the workshop is unable to recover the losses from reserve funds or a subsidy increase. The subsidy funding of some workshops is provided on a deficit financing basis in which the amount of subsidy is determined by the amount of operating loss. In that type of operation a workshop experiencing an operating gain would have the amount of operating subsidy adjusted in the following operating (fiscal) period.

For purposes of this study, earned operating income included income from the work program and the rehabilitation/professional services program (evaluation and training fees). The operating gain or loss was determined by deducting operating expenditures from earned operating income.

Three-fourths of the regular program workshops reported operating losses for the annual period for which they provided financial data, and an additional two percent reported having no gain or loss (Appendix tables 69-71).

About four-fifths of the work activities centers sustained operating losses, but one-fifth had more earned income than operating expenses.

One-fourth of the training and/or evaluation programs had more income than expenses and one-third reported that operating expenses matched earned operating income.

Many workshops develop annual operating budgets based on total operating income, including subsidy. In such operations subsidy is considered support income rather than deficit financing.

G. Capital Investment in Plant and Equipment

The purchase of buildings and equipment was reported separately from operating expenditures in recognition of the differences in funding methods. Buildings and major equipment represent a long-term investment to be prorated over a period of years. In a profit-making business the depreciation of plants, buildings and major equipment is shown as an expense and is included in the costs of operation, but nonprofit corporations (including workshops) frequently ignore depreciation of buildings and equipment because they are not concerned with taxes on profits and because of their method of purchasing or acquiring buildings and equipment.

Federal grants, private donations, gifts and other similar resources and methods have been used to buy or construct buildings and purchase major equipment. However, the number of workshops acquiring buildings and equipment through these methods of capital funding was not identified in the survey. Also, some workshops lease or rent buildings, but the number is not known.

Workshops participating in the survey reported capital investment in plant and equipment totalling $307,662,506 of which $240,136,265 was plant investment and $67,526,241 was equipment purchases (Appendix table 29).

The average investment by type of workshop program was substantially greater for regular program workshops than for work activities centers and training and/or evaluation programs (Appendix tables 30 and 31).

Type of investment	Average investment		
	Regular program workshops	Work activities centers	Training and/or evaluation programs
Plant	$177,033	$54,652	$50,200
Equipment	50,915	14,125	15,067

When average investments were compiled by primary disability group served the pattern shown elsewhere in the financial data was reflected: the regular program workshops classified as blind or general had average plant investments of $237,771 and $249,333 respectively, and mentally retarded and mental illness group workshops had average plant investments of only $54,734 and $36,701 -- a vast difference. The average equipment investment was similar in range. The differences seemed to reflect some relationship to the type of work program: The workshops serving mentally handicapped clients were mostly involved in subcontract work usually requiring less space and equipment than the manufacturing and reprocessing operations of the other two types of workshops (general and blind groups).

Differences in average investment by work activities centers were less significant except for blind group centers but the number of blind centers was much lower than the mentally handicapped groups. The greater average investment in plant and equipment for the blind group may have been related to the affiliation with regular program workshops involved in manufacturing rather than subcontract work.

The range of average capital investment by primary disability group in training and/or evaluation programs was fairly limited for the four primary disability groups (general, mentally retarded, blind and mental illness) which served most of the clients in the programs.

On the basis of the average number of clients served daily by type of workshop program, the average capital investment in plant by regular program workshops represented $4,117 per client; in work activities centers it was $1,366 per client; and $1,731 in training and/or evaluation programs.

The average equipment investment represented $1,184 per client served daily in regular program workshops, $353 per client in work activities centers, and $520 for training and/or evaluation program clients.

Workshops also reported capital investments made during the reporting year (1972 or 1973). Capital investment for plant and equipment is influenced by the availability of Federal funds, gifts and other donations and other capital resources. The timing of the investment may vary widely, with capital expenditures generally programmed over a three to five year period.

A total of 1,195 workshop programs (47 percent) reported capital expenditures for plant and 1,748 workshops (69 percent) indicated capital equipment expenditures (Appendix table 29). These amounted to $61,714,074 consisting of $43,575,625 for plant (an average of $36,465 per workshop) and $18,138,449 for equipment (an average of $10,377 per workshop reporting such expenditures).

VII. WAGE PAYMENTS TO HANDICAPPED CLIENTS

Average annual earnings of handicapped clients in sheltered workshops were reported for the 1972 or 1973 calendar or fiscal year period used by the workshop, and hourly earnings for the payroll period including May 15, 1973.

A. Annual Wage Payments

In Chapter VI of this report annual wage payments to handicapped client/employees were compared to total operaing expenditures and total wage and salary expenditures. This section investigates differences in wage payments to clients by type of program and primary disability group.

1. Distribution of workshops by average client earnings

Average annual earnings of clients were calculated for each workshop participating in the survey by dividing annual wage payments to clients by the average daily client attendance estimates reported by each workshop.

In the distribution of workshops by average annual client earnings (Appendix table 65) nearly one-half of the certificated regular program workshops fell in the range of $3,000 or more but ten percent were in the less than $1,000 group. The workshops reporting average client wages of less than $1,000 tended to be smaller in size whereas those reporting average earnings in the upper range were larger.

The distribution of certificated work activities centers by average annual client earnings shows that more than fifty percent of the centers had average client earnings of $1,000 or more. This distribution of centers in the above $1,000 range is not consistent with the level of earnings reflected in the hourly wage data presented later in this section which show average hourly earnings by type of client. Projections of the hourly wage data to annual wage amounts suggest an average by workshop program of less than one-half of the level shown in the annual data reported. Since the hourly wage data are considered more reliable, it appears that reporting errors may have been caused by understating the average daily client attendance estimates, and/or annual client wage expenditures may have included wages for non-client employees -- thus creating an overstatement of average client wages.

More than one-third of the certificated training and/or evaluation programs reported average annual client wages of less than $200. Clients in evaluation programs may participate in a variety of activities, including counseling and testing, which are not production work and consequently wages are not earned. Clients in a training program also may be invloved in special activities of a supportive service type which are not likely to produce wages. Under the Federal-State rehabilitation program clients of the State agency who are in training and/or evaluation programs can be provided training allowances or stipends by the State agency. These funds may be disbursed through the workshop and, under these conditions, clients in training and/or evaluation programs would likely receive wages, or allowances paid as wages, for accounting purposes and the amounts would be relatively small.

More than one-half of the certificated training and/or evaluation programs had average annual client earnings below $1,000 but one-fifth had average earnings of $3,000 or more.

Noncertificated workshops tended to have significantly lower average client earnings in all three types of programs.

Workshops which were affiliated with selected national organizations were concentrated in the regular program workshop group. Nearly three-fourths of the certificated regular program workshops that were members of Goodwill Industries of America (GIA) had average annual client earnings of $3,000 or more; more than 90 percent of the workshops affiliated with National Industries for the Blind (NIB) had average annual client earnings of more than $3,000; and 36 percent of the Volunteers of America (VOA) member workshops had average client wages in that range (Appendix table 66).

More than half of the certificated training and/or evaluation programs operated by GIA and NIB member workshops had average client earnings of under $200.

2. Ratio of annual client earnings to net income from work program

Net income was determined by subtracting expenditures for production materials and supplies from gross income from the work program. The ratio of client earnings to net income, also known as the "payout ratio", is one of the indicators of adequacy of client wage payments considered by DOL field staff in evaluating the workshop program.

Regular program workshops averaged a payout ratio of 50 percent and work activities centers and training and/or evaluation programs averaged paying approximately two-thirds of net income in wages to clients (Appendix tables 47 and 56).

3. Ratio of annual client wages to total wage and salary expenditures

Wages paid to clients in regular program workshops represented 53 percent of total wage and salary expense, 28 percent in work activities centers and 39 percent in training and/or evaluation programs (Appendix table 59).

4. Average annual productivity of clients

Client productivity was determined by dividing annual gross work program income less cost of purchased materials by the average daily client attendance for each type of program (Appendix tables 47 and 56):

	Average annual productivity
All programs	$1,846
Regular program workshops	3,992
Work activities centers	487
Training and/or evaluation programs	738

The average annual productivity of clients in work activities centers was only 12 percent of that of clients in regular program workshops, and clients in training and/or evaluation programs averaged production of about one-fifth of that of regular program workshop clients. The productivity differences of the three programs was consistent with the generally perceived level of function of clients in the

respective programs, i.e., work activities center clients had relatively inconsequential production whereas clients in regular program workshops had production averaging above 50 percent of the productivity of a nonhandicapped worker.

B. Hourly Wage Payments

Workshops were asked to provide payroll data for all clients for the workweek which included May 15, 1973. Clients were identified by type of disability, age, sex, race, occupation and number of years employed in the workshop. Whereas the annual wage and salary data provided shop averages, the payroll data for the survey week provided a distribution of clients by individual hourly earnings. Thus, they provide the basis for an assessment of the relationship between the actual earnings of clients classified by selected characteristics and the Federal minimum wage standards applicable to covered nonhandicapped workers; these data also make possible the computation of the estimated cost of raising the wages of handicapped clients earnings less than the FLSA minimum to that level or any other minimum wage level.

Although the workshops in the survey estimated their average daily client attendance at 98,076, the weekly payroll data for the May 1973 survey week totaled 88,791 clients (91 percent of the average daily attendance).

1. Average straight-time hourly earnings

Workshop clients were classified within the three types of certificated workshop programs: Regular program workshops, work activities centers, and training and/or evaluation programs.

By type of client and type of program average straight-time hourly earnings ranged from 34 cents per hour for work activities center program clients to $1.38 an hour for regular clients in regular program workshops (Appendix table 168):

Type of clients	Number of clients	Percent of total clients	Average straight-time hourly earning
Regular program workshops			
regular clients	24,597	27.7	$1.38
learner clients	331	0.4	1.04
individual rate clients	5,677	6.4	.67
Work activities centers			
program clients	43,195	48.6	.34
special rate clients	1,206	1.4	1.29
Training and/or evaluation programs	13,785	15.5	.63
All workshop clients	88,791	100.0	$ .71

At the time of the survey the applicable minimum wage rate under FLSA was $1.60 per hour but the average hourly earnings of all clients in workshops ($.71) was less than half of the Federal minimum. The average for regular clients amounted to 86 percent of the statutory minimum, for work activities center program clients 21 percent, and for training and/or evaluation program clients 39 percent.

About one-fifth of the clients in regular program workshops were paid less than the 50 percent floor through individual rate certificates. Two-thirds of the clients were paid less than the statutory minimum and one-third the minimum or higher.

In work activities centers two-thirds of the clients were paid less than 25 percent of the statutory rate and only five percent were paid at least 50 percent of the statutory minimum.

One-third of the clients in training and/or evaluation programs was paid less than 25 percent of the FLSA statutory rate, 75 percent received less than half of the minimum rate and five percent averaged the statutory minimum rate and higher.

Six percent of the clients for whom hourly earnings were reported worked in noncertificated workshops which were either not subject to the FLSA, were paying their clients the statutory wage or more, or were in violation of the Federal law. Clients in noncertificated regular program workshops were paid wages which averaged seven percent lower than in certificated workshops; noncertificated work activities centers paid wages which averaged 16 percent lower but average wages paid to clients in noncertificated training and/or evaluation programs were 13 percent higher.

2. Distribution of hourly wages by primary disability group served

There was considerable variation in client straight-time hourly earnings by primary disability group, by type of workshop program within each group, and between certificated and noncertificated workshops (Table 9). Average wages were higher in certificated workshops in three of the four disability groups for which comparable data were available.

Clients in the certificated blind group were paid the highest wages in two of the three programs while clients in mentally retarded group workshops were paid the lowest wages in all three programs in certificated and noncertificated workshops, with regular program workshop clients averaging about half the level paid the blind group clients.

Wage earnings followed a pattern similar to that found with regard to financial operations. Blind group clients were highest functioning, general group clients second, followed by mentally retarded and mental illness group clients performing at substantially lower levels.

Table 9. Average straight-time hourly earnings of clients by primary disability group served, May 1973

Primary disability group and type of program	Average client earnings 1/	
	Certificated workshops	Non-certificated workshops
General workshop group		
Regular program workshops	$1.28	$1.40
Work activities centers	.40	.45
Training and/or evaluation programs	.66	.80
Mentally retarded group		
Regular program workshops	.87	.56
Work activities centers	.35	.23
Training and/or evaluation programs	.52	.51
Blind group		
Regular program workshops	1.69	1.65
Work activities centers	.54	.42
Training and/or evaluation programs	.70	.76
Mental illness group		
Regular program workshops	1.06	.79
Work activities centers	.45	.43
Training and/or evaluation programs	.75	1.03
Alcoholic group		
Regular program workshops	1.31	2/
Work activities centers	3/	3/
Training and/or evaluation programs	3/	3/

1/ Regular program workshop rates include regular clients learners, and individual rate clients. Work activities center rates include program and special rate clients.
2/ Information deleted to protect confidentiality of data for fewer than three establishments.
3/ No wages reported

Source: Appendix table 166.

3. Comparison of average straight-time hourly earnings of clients in 1968 and 1973

A previous DOL study (1967-68) collected wage payment data on clients in certificated workshops for a March 1968 payroll period. Wage earnings for the two periods are compared by type of workshop program, type of client and primary disability group served (Table 10). Changes in average daily client attendance are also shown to reflect the growth of programs and the possible impact of the growth.

The largest increase in clients occurred in work activities centers -- the number of clients almost tripled. Work activities center clients are considered to be the most severely limited of all types and consequently they tended to earn lower wages than clients in other programs. The expansion of lower functioning clients had the effect of holding down the overall average hourly wage even though average wages increased in each category except individual rate clients. Clients in these centers represented 36 percent of all clients in 1968 as compared to 49 percent in 1973.

Although the statutory minimum wage rate was not increased in the 1968-73 period, average wages in regular program workshops increased by nine percent, and in work activities centers by six percent. Average earnings in training and/or evaluation programs improved by 11 percent.

Comparison must be confined to certificated workshops only because the DOL did not collect data from noncertificated workshops in 1968. Also average wages paid to clients on individual exception certificates (in regular program workshops) are reported separately because they were separated in the 1968 study. This had a slight impact on average wages for regular program workshops shown elsewhere in this section.

A comparison of 1968 and 1973 data by primary disability group served shows that the blind group had the greatest overall increase in average hourly earnings; the mentally retarded group programs operating as regular program workshops and as training and/or evaluation programs also showed significant gains.

Average hourly wages varied substantially for regular clients in programs classified by primary disability group served. The range from blind group earnings of $1.72 an hour to mentally retarded group earnings of $1.11 represents a differential of 61 cents or 55 percent. The wage variance for work activities center clients and trainees and evaluees was less significant.

Regular clients in workshops which were members of Goodwill Industries of America (GIA) or National Industries for the Blind (NIB) had average earnings which were higher than the amount for their group (general and blind respectively). The amount and percent increases for regular clients in GIA and NIB workshops were greater than the total regular client group for the 1968-1973 period.

Table 10. Average straight-time hourly earnings of clients in certificated sheltered workshops by type of client and primary disability group served by workshop program, 1968 and 1973

Type of client and primary disability group served by workshops	Average daily client attendance				Average hourly client earnings			
	Number		Change		Amount		Change	
	1968	1973	Amount	Percent	1968	1973	Amount	Percent
All clients by type of clients								
All clients/all programs	39,524	83,018	43,494	110	$.76	$.71	$(.05)	(7)
Regular clients	14,602	22,781	8,179	56	1.27	1.39	.12	9
Work activities center clients	14,125	41,922	27,797	197	.35	.37	.02	6
Trainees and/or evaluees	7,971	12,777	4,806	60	.57	.63	.06	11
Individual exception clients	2,826	5,538	2,712	96	.69	.67	(.02)	(3)
All clients by primary disability group served								
General	16,482	33,096	16,614	101	.95	.96	.01	1
Mentally retarded	13,722	38,671	24,949	182	.40	.43	.03	8
Alcoholic	1,285	885	(400)	(31)	1.19	1.31	.12	10
Blind	3,521	3,504	(17)	(0.4)	1.35	1.53	.18	13
Mental illness	1,714	6,006	4,292	250	.59	.63	.04	7
Miscellaneous	2,800	856	(1,944)	(69)	.56	.50	(.06)	(11)
Total	39,524	83,018	43,494	110	.76	.71	(.05)	(7)
Regular clients								
General	9,181	15,963	6,782	74	1.26	1.38	.12	10
Mentally retarded	832	2,251	1,419	171	.93	1.11	.18	19
Alcoholic	1,052	831	(221)	(21)	1.24	1.36	.12	10
Blind	2,769	2,849	80	3	1.49	1.72	.23	15
Mental illness	168	812	644	383	1.01	1.23	.22	22
Miscellaneous	600	75	(525)	(88)	1.07	1.51	.44	41
Total	14,602	22,781	8,179	56	1.27	1.39	.12	9

Table 10. Average straight-time hourly earnings of clients in certificated sheltered workshops by type of client and primary disability group served, by workshop program, 1968 and 1973 (Continued)

Type of client and primary disability group served by workshops	Average daily client attendance				Average hourly client earnings			
	Number		Change		Amount		Change	
	1968	1973	Amount	Percent	1968	1973	Amount	Percent
Work activities center clients								
General	1,942	6,841	4,899	252	$.42	$.40	$(.02)	(5,
Mentally retarded	9,997	30,429	20,432	204	.33	.35	.02	6
Blind	88	329	241	274	.41	.54	.13	32
Mental illness	614	3,668	3,054	497	.38	.45	.07	18
Miscellaneous	1,479	655	(824)	(56)	.40	.40	-	-
Total	14,125	41,922	27,797	197	.35	.37	.02	6
Trainees and evaluees								
General	4,104	7,357	3,253	79	.58	.66	.08	14
Mentally retarded	1,872	3,923	2,051	110	.44	.52	.08	18
Blind	273	185	(88)	(32)	.91	.70	(.21)	(23)
Mental illness	893	1,198	305	34	.66	.75	.09	14
Miscellaneous	626	114	(512)	(81)	.45	.39	(.06)	13
Total	7,971	12,777	4,806	60	.57	.63	.06	11
Individual exception clients								
General	1,255	2,935	1,680	134	.72	.70	[illegible]	[illegible]
Mentally retarded	1,021	2,068	1,047	103	.55	.61	.06	11
Blind	391	141	(250)	(64)	.94	.91	(.03)	(3)
Mental illness	39	328	289	741	.67	.66	(.01)	(1)
Miscellaneous	95	12	(83)	(87)	.61	.63	.02	3
Total	2,826	5,538	2,712	96	.69	.67	(.02)	(3)

Table 10. Average straight-time hourly earnings of clients in certificated sheltered workshops by type of client and primary disability group served, by workshop program, 1968 and 1973 (Concluded)

Type of client and primary disability group served by workshops	Average daily client attendance				Average hourly client earnings			
	Number		Change		Amount		Change	
	1968	1973	Amount	Percent	1968	1973	Amount	Percent
Selected national organizations								
Goodwill Industries of America (GIA)								
Regular clients	5,919	10,897	4,978	84	$1.31	$1.47	$.16	12
Work activities center clients	351	939	588	168	.38	.35	(.03)	(8)
Trainees and/or evaluees	1,301	2,710	1,409	108	.52	.65	.13	25
Individual exception clients	591	867	276	47	.85	.78	(.07)	(8)
All clients	8,162	15,413	7,251	89	1.11	1.22	.11	10
National Industries for the Blind (NIB)								
Regular clients	2,217	2,896	679	31	1.54	1.74	20	13
Work activities center clients	8	82	74	925	.88	.56	(.32)	(36)
Trainees and/or evaluees	182	172	(10)	(5)	1.04	.91	(.13)	(13)
Individual exception clients	321	111	(210)	(65)	.99	1.04	.05	5
All clients	2,728	3,261	533	20	1.44	1.64	.20	14

Sources: U.S. Department of Labor, A Study of Wage Payments of Handicapped Clients in Sheltered Workshops Certificated under the Fair Labor Standards Act, Submitted to the Congress, 1969, U.S. Department of Labor, Survey of Sheltered Workshops, Appendix tables 166-175.

Note: Decreases between 1968 and 1973 are enclosed in parentheses.

4. Hourly wages by major disability of clients

Clients in workshop programs were classified by their primary or major handicapping condition. This designation is separate and distinct from the classification of workshops by the major disability of most of the clients served.

Four disability types -- visually impaired, mentally retarded, mentally ill, and orthopedic -- constituted 83 percent of the workshop client population (Table 11). Clients in each of the other disability groups represented less than 4 percent. The aged group which accounted for 2 percent of the client population, was found mostly in regular program workshops and had earnings above the average for that program; the alcoholic group represented 2 percent, virtually all of whom were regular program workshop clients with above average earnings. The cerebral palsy client was found mostly in work activities centers and earned less than the average center client.

Two percent of the clients had a cardiac disability and earned above average wages in regular program workshops. Clients with neurological disorders accounted for another 2 percent and their earnings were about average in regular program workshops and more than average in work activities centers and training and/or evaluation programs. The smallest disability group, those with respiratory disorders, earned above average wages in regular program workshops.

Client earnings were tabulated separately for certificated and noncertificated workshops. The impact of certification seemed greatest for mentally retarded clients. In work activities centers average mentally retarded client earnings in noncertificated centers (24 cents) were 31 percent lower than earnings in certificated centers. A similar difference existed in regular program workshops, a wage differential of 28 cents or 30 percent. The lack of coverage by the FLSA would have permitted the lower wages.

The most significant variation among disability types was the substantially higher earnings by physically handicapped clients compared to earnings of mentally handicapped clients and neurologically impaired clients. The physically handicapped are consistently found to be more productive in this study.

Table 11. Average straight-time hourly earnings of clients by major disability and type of workshop program, May 1973

Major disability and type of program	Certificated workshops			Noncertificated workshops		
	Clients		Average hourly earnings	Clients		Average hourly earnings
	Number	Percent		Number	Percent	
All clients	83,018	100	$.71	5,773	100	$.71
Mentally retarded						
Regular program workshops	8,246	9.9	.94	910	15.8	.66
Work activities centers	32,343	39.0	.35	1,716	29.7	.24
Training and/or evaluation programs	6,449	7.8	.52	553	9.6	.51
Mentally ill						
Regular program workshops	4,743	5.7	1.11	252	4.4	1.10
Work activities centers	5,312	6.4	.46	299	5.2	.48
Training and/or evaluation programs	3,237	3.9	.71	274	4.7	1.06
Visually impaired						
Regular program workshops	3,558	4.3	1.60	325	5.6	1.62
Work activities centers	638	.8	.45	34	.6	.42
Training and/or evaluation programs	383	.4	.77	14	.2	.82

Table 11. Average straight-time hourly earnings of clients by major disability and type of workshop program, May 1973 (continued)

Major disability and type of program	Certificated workshops			Noncertificated workshops		
	Clients		Average hourly earnings	Clients		Average hourly earnings
	Number	Percent		Number	Percent	
Alcoholic						
Regular program workshops	1,203	1.4	$1.39	31	0.5	$2.00
Work activities centers	119	.1	.56	11	.2	.38
Training and/or evaluation programs	199	.2	.84	9	.2	.68
Cerebral palsy						
Regular program workshops	1,042	1.3	1.10	37	.6	1.15
Work activities centers	1,491	1.8	.35	155	2.7	.32
Training and/or evaluation programs	364	.4	56	15	.3	.61
Orthopedic disabilities						
Regular program workshops	2,747	3.3	1.48	238	4.1	1.55
Work activities centers	436	.5	.50	93	1.6	.58
Training and/or evaluation programs	608	.7	.77	47	.8	.90

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Table 11. Average straight-time hourly earnings of clients by major disability and type of workshop program, May 1973 (continued)

Major disability and type of program	Certificated workshops			Noncertificated workshops		
	Clients		Average hourly earnings	Clients		Average hourly earnings
	Number	Percent		Number	Percent	
Cardiac						
Regular program workshops	962	1.1	$1.46	84	1.5	$1.45
Work activities centers	228	.3	.52	34	.6	.38
Training and/or evaluation programs	191	.2	.69	16	.3	.81
Neurological disorders						
Regular program workshops	797	1.0	1.26	23	.4	1.04
Work activities centers	383	.5	.44	20	.3	.56
Training and/or evaluation programs	345	.4	.65	24	.4	.69
Respiratory disorders						
Regular program workshops	302	.4	1.65	24	.4	1.41
Work activities centers	17	*	.47	9	.2	.53
Training and/or evaluation programs	52	.1	.75	4	.1	.83

Table 11. Average straight-time hourly earnings of clients by major disability and type of workshop program, May 1973 (concluded)

Major disability and type of program	Certificated workshops			Noncertificated workshops		
	Clients		Average hourly earnings	Clients		Average hourly earnings
	Number	Percent		Number	Percent	
Age						
Regular program workshops	1,269	1.5	$1.33	63	1.1	$1.87
Work activities centers	579	.7	.45	37	.6	.46
Training and/or evaluation programs	53	.1	.73	2	*	1.10
Other						
Regular program workshops	3,237	3.9	1.57	299	5.2	1.59
Work activities centers	382	.5	.54	71	1.2	.47
Training and/or evaluation programs	873	1.1	.86	50		.81

*Percent less than 0.1.
Source: Appendix table 162.

5. Hourly earnings by sex and race

The workshop population was almost evenly divided between males and females but male clients earned more than female clients in most programs (Table 12). Average hourly earnings of nonwhite clients were consistently higher than those of their white counterparts in all three types of workshop programs.

Table 12. Average straight-time hourly earnings of clients by sex and race, by type of certificated workshop program, May 1973

Type of workshop program and race of client	Male		Female	
	Number of clients	Average hourly earnings	Number of clients	Average hourly earnings
Regular program workshops				
All clients	15,777	$1.28	12,509	$1.22
White	11,703	1.23	9,367	1.18
Negro	2,597	1.45	2,066	1.36
Spanish-surnamed	786	1.41	453	1.31
Other	381	1.20	361	1.09
Work activities centers				
All clients	22,839	.37	19,089	.37
White	19,286	.36	16,206	.37
Negro	2,466	.39	1,980	.38
Spanish-surnamed	557	.40	411	.39
Other	155	.39	145	.45
Training and/or evaluation programs				
All clients	7,362	.64	5,442	.61
White	5,526	.62	4,034	.59
Negro	1,313	.70	1,072	.69
Spanish-surnamed	304	.70	171	.63
Other	116	.71	92	.63

Source: Appendix table 167.

6. Hourly earnings by client age

In certificated regular program workshops client earnings increased progressively with age beginning at age 16 at $1.00 per hour to $1.41 in the 55 to 64 age range and declined slightly after age 64 (Table 13). In work activities centers older workers also earned slightly more than younger ones. The training and/or evaluation programs showed no significant relationship between hourly earnings and age.

Clients in work activities centers and training and/or evaluation programs tended to be younger than the regular program workshop clients. Fewer than one-fourth of the regular program workshop clients were less than 25 years old, whereas about half of the clients in the other two programs were under 25.

Table 13. Average straight-time hourly earnings of clients in certificated workshops by age, by type of workshop program, May 1973

Age range	Regular program workshops			Work activities centers			Training and/or evlauation programs		
	Number of clients	Percent of total	Average hourly earnings	Number of clients	Percent of total	Average hourly earnings	Number of clients	Percent of total	Average hourly earnings
Under 16 years	561	2	$1.18	1,161	3	$ .36	256	2	$ .57
16-17 years	378	1	1.00	2,042	5	.36	1,452	11	.60
18-19 years	973	4	1.00	3,815	9	.35	2,071	16	.58
20-24 years	4,652	17	1.08	12,012	29	.35	3,261	25	.59
25-34 years	6,267	22	1.19	11,898	28	.37	2,591	20	.63
35-39 years	2,110	7	1.31	2,633	6	.39	739	6	.70
40-44 years	2,209	8	1.33	2,162	5	.39	699	5	.69
45-54 years	4,927	17	1.37	3,221	8	.41	1,137	9	.69
55-64 years	4,113	15	1.41	1,789	4	.41	508	4	.75
65 years and over	2,096	7	1.31	1,195	3	.42	90	1	.69
All clients	28,286	100	1.25	41,928	100	.37	12,804	100	.63

Source: Appendix table 163.

7. Client earnings by length of employment

In competitive industry, workers normally earn higher wages as they learn the job and gain experience. Sheltered workshops differ significantly from industry in employment policies because the client who progresses, learns the job and becomes more productive, is the one most likely to be placed in employment outside the workshop. The lower producer is more likely to remain in the workshop for long periods of training or preparation for community employment. Also, the handicapping conditions of many clients are such as to severely limit their employability to the extent of requiring extended or indefinite sheltered employment; for some handicapped workers this may be their last and final gainful employment position.

A later section of this report presents data on placement of clients in competitive employment which indicate that most clients were placed had been in the workshop less than a year. Clients employed in regular program workshops less than one year had higher average earnings than those employed one to five years (Appendix table 175). This seems to suggest that those clients who were producing and earning higher wages were placed outside the workshop in their first year whereas the lower producing clients remained in the workshop. Workshop clients earned progressively more each year beginning at five years.

Training and/or evaluation programs place special emphasis on short-term, transitional services. The average client in these programs had been there less than a year and almost all clients less than two years. Average hourly earnings were lower for clients who had been in the program for more than one year than for those who were there for one year or less.

8. Hourly earnings by sex and type of work

The hourly earnings of female clients were lower than male client earnings in many types of work, but the difference was not significant. In regular program workshops females appeared to earn higher in jobs requiring dexterity (e.g., simple bench work) whereas male clients earned more on jobs requiring greater physical effort (e.g., salvage, janitorial and maintenance) (Table 14).

Table 14. Average straight-time hourly earnings of clients in certificated regular program workshops by sex and type of work, May 1973

Type of work	Male		Female	
	Number of clients	Average hourly earnings	Number of clients	Average hourly earnings
All clients	15,777	$1.28	12,509	$1.22
Subcontract work				
Simple bench work	4,713	1.05	4,683	1.07
Mailing services	83	.95	145	1.02
Salvage	152	1.61	57	1.46
Repair	122	.96	12	1.10
Sewing	55	1.36	263	1.36
Printing	76	1.33	67	1.17
Soldering	38	1.41	44	1.37
Machine operation	694	1.38	165	1.36
Other	459	1.26	251	1.19
Salvage and renovation work				
Drivers	601	2.03	18	1.51
Drivers' helpers, dock workers	1,366	1.32	20	1.30
Sorting	521	1.17	1,294	1.24
Baling	234	1.20	19	1.22
Cleaning, laundering, pressing	245	1.25	694	1.13
Sewing, pricing	76	1.32	645	1.27
Furniture repair, refinishing	675	1.35	53	1.41
Other repair, refinishing	864	1.32	106	1.38
Other	598	1.30	471	1.27
Manufacture of new goods				
Mops, brooms, brushes	564	1.78	106	1.68
Machine sewn items	192	1.61	324	1.55
Mattresses, bedsprings	88	1.59	22	1.62
Other machine production	429	1.24	107	1.43
Handicraft items	279	1.14	154	.94
Other	375	1.27	188	1.07
Miscellaneous occupations				
Clerical	174	1.61	554	1.66
Janitorial, maintenance	1,002	1.31	143	1.10
Food service	93	1.11	188	1.21
Sales	578	1.47	1,481	1.38
Forestry, nursery, farming	118	1.04	26	.78
Other	313	1.43	209	1.43

Source: Appendix tables 179-185.

Male drivers earned the highest hourly wages in regular program workshops followed by clients involved in the manufacture of new goods such as mops, brooms, brushes, machine sewn items, mattresses and bedsprings. Only 12 percent of the male clients were employed in manufacturing compared with 40 percent in subcontract and 32 percent in salvage and renovation work. Female client employment distribution was similar with a slightly higher proportion of subcontract work and miscellaneous occupations; less in manufacturing and salvage and renovation work. The most common job was simple bench work employing 30 percent of the male clients and 37 percent of the female clients; but clients in that type of work earned lower wages than in most other jobs.

Bench work was even more common in work activities centers, providing employment for 73 percent of the male clients and 78 percent of the female clients (Table 15). Subcontract work was dominant with 84 percent of the male workers and 86 percent of the female workers involved. Most of the other jobs paid better wages than did subcontract work.

Table 15. Average straight-time hourly earnings of clients in certificated work activities centers by sex and type of work, May 1973

Type of work	Male		Female	
	Number of clients	Average hourly earnings	Number of clients	Average hourly earnings
All clients	22,839	$ .37	19,089	$ .37
Subcontract work				
Simple benchwork	16,771	$ .36	14,799	$ .38
Mailing services	170	.43	236	.38
Salvage	646	.29	379	.28
Repair	317	.35	28	.49
Sewing	30	.40	297	.41
Printing	50	.41	37	.37
Soldering	35	.77	35	.66
Machine operations	643	.48	286	.53
Other	513	.43	326	.34
Salvage and renovation work				
Drivers	6	1.15	-	-
Drivers' helpers, dock workers	108	.50	5	.48
Sorting	193	.28	184	.39
Baling	29	.39	16	.33
Cleaning, laundering, pressing	17	.37	55	.32
Sewing, pricing	2	.28	30	.30
Furniture repair, refinishing	281	.32	98	.27
Other repair, refinishing	32	.28	10	.17
Other	207	.31	120	.28
Manufacture of new goods				
Mops, brooms, brushes	38	.27	16	.19
Machine sewn items	22	.38	80	.44
Mattresses, bedsprings	2	.28	80	.24
Other machine production	316	.44	47	.32
Handicraft items	887	.29	968	.29
Other	381	.37	231	.36
Miscellaneous occupations				
Clerical	37	.54	101	.60
Janitorial, maintenance	586	.46	174	.42
Food service	87	.44	280	.39
Sales	6	.54	9	.40
Forestry, nursery, farming	154	.42	38	.40
Other	273	.37	208	.40

Source: Appendix tables 179-185.

Two-thirds of the male and female clients employed in training and/or evaluation programs were engaged in subcontract work, mostly benchwork (Table 16). Of the remaining group 10 to 13 percent were employed in salvage and renovation, 5 to 6 percent in manufacturing and 17 to 20 percent in miscellaneous occupations.

A comparison of similar jobs in the three programs disclosed a substantial difference in client earnings. Simple bench work clients in work activities centers averaged about one-third of the earnings of those doing similar work in regular program workshops; but the work may have been of a lower skill level. If the base used for determining wage rates for similar jobs in the three programs was the prevailing industry rate then the earnings differential is consistent with the general level of function of the clients in the programs, i.e., clients in regular program workshops were producing at a level of 50 to 75 percent of nonhandicapped workers and clients in work activities centers had a relatively low productivity level of 20 to 25 percent of the nonhandicapped worker. The average earnings of clients in training and/or evaluation programs fell between the other two programs.

9. Hourly earnings by client size of workshop

One-third of the clients in certificated regular program workshops and work activities centers were employed in workshops with fewer than 40 clients in average daily attendance. In regular program workshops client earnings were about the same for the tabulated size groups under 40, ($1.14 to $1.15), but earnings increased progressively as the workshop client size increased -- from an average hourly wage of $1.14 in the smaller groups to $1.67 in the largest size group (400 clients or more) (Appendix table 164).

Client size did not appear to significantly affect average earnings in either work activities centers or training and/or evaluation programs.

Table 16. Average straight-time hourly earnings of clients in certificated training and/or evaluation programs by sex and type of work, May 1973

Type of work	Male		Female	
	Number of clients	Average hourly earnings	Number of clients	Average hourly earnings
All clients	7,362	$ .64	5,442	$ .61
Subcontract work				
Simple bench work	3,637	.63	3,075	.61
Mailing services	111	.60	96	.56
Salvage	136	.53	67	.52
Repair	125	.51	13	.42
Sewing	11	.66	114	.56
Printing	77	.58	22	.62
Soldering	20	1.07	19	.95
Machine operations	344	.79	77	.81
Other	267	.64	117	.61
Salvage and renovation work				
Drivers	22	.86	3	.42
Drivers' helpers, dock workers	171	.68	6	.51
Sorting	98	.49	151	.52
Baling	24	.56	8	.68
Cleaning, laundering, pressing	41	.50	125	.78
Sewing, pricing	22	.57	68	.57
Furniture repair, refinishing	178	.51	23	.48
Other repair, refinishing	165	.67	15	.59
Other	207	.54	129	.48
Manufacture of new goods				
Mops, brooms, brushes	13	1.29	8	1.08
Machine sewn items	13	.65	43	.63
Mattresses, bedsprings	7	.80	1	.47
Other machine production	144	.79	43	.65
Handicraft items	157	.49	97	.40
Other	126	.61	55	.63
Miscellaneous occupations				
Clerical	127	.79	261	.80
Janitorial, maintenance	521	.70	133	.48
Food service	150	.65	295	.61
Sales	44	.67	110	.68
Forestry, nursery, farming	54	.69	1	.80
Other	350	.57	269	.57

Source: Appendix tables 179-185.

10. Hourly earnings by size of income from work program

The size of the work program income appeared to be positively correlated with the level of client earnings in regular program workshops; but average earnings of clients in the other two programs showed very little variation at different work program income levels (Appendix table 165).

11. Client weekly hours of work

Client earnings on a weekly and annual basis are, of course, affected by the number of hours worked as well as the hourly rate of pay. Average weekly hours of work varied widely by type of client and workshop program (Appendix tables 186-191).

Primary disability group served	Certificated programs					
	Regular program workshops		Work activities centers		Training and/or evaluation programs	
	Number of clients	Average weekly hours	Number of clients	Average weekly hours	Number of clients	Average weekly hours
All clients	28,286	31.3	41,928	21.1	12,804	24.8
General	18,871	32.5	6,841	23.0	7,384	25.2
Mentally retarded	4,319	26.0	30,429	21.3	3,923	24.6
Alcoholic	885	33.8	-	-	-	-
Mental illness	1,134	22.4	3,674	16.6	1,198	22.3
Blind	2,990	34.7	329	25.4	185	30.0
Miscellaneous	87	21.7	655	15.9	114	22.1

The pattern of hours in certificated regular program workshops was similar to the level of hourly earnings of clients in the disability groups -- blind and general groups highest and mentally handicapped lowest (miscellaneous group was lowest but the size made it insignificant). Clients in work activities centers consistently averaged fewer hours than their counterparts in regular program workshops and training and/or evaluation programs.

The cause of the short workweek was not explored in this study but reports and comments from directors of work activities centers and other authorities suggest several possible reasons: Severely handicapped clients may not have the physical or mental tolerance for longer work periods; the clients may have been involved in other (therapeutic) activities during the day or week; there may not have been sufficient work to permit a longer workweek; and the dependency of clients on others for transportation may have required extensive busing of clients on variable or shortened schedules. Regardless of the reason, nearly a third of the clients in work activities centers were in programs which averaged less than 15 hours a week.

The short workweek in training programs may have been caused by client involvement in classroom or other group instruction in addition to work. Clients in evaluation programs may have been engaged in testing programs as well as work, as a part of their evaluation.

12. Method of wage payment

Two methods were generally used in paying wages to clients. FLSA regulations establish minimum (floor) wage rates only in regular program workshops but require payment in all programs of wages "commensurate with productivity", i.e., payment of wages equal to that of a nonhandicapped worker doing the same quality and quantity of work. Workshops may pay on an hourly rate basis or on a piece-rate basis but wage rates must be based on the productivity of nonhandicapped workers in industry in the vicinity.

Nearly two-thirds of the clients in certificated regular program workshops doing covered work were paid on an hourly rate basis; one-third on a piece-rate basis (Appendix table 186).

The reverse was true in certificated work activities centers. Two-thirds of the clients were paid on a piece-rate basis and one-third on an hourly rate. In training and/or evaluation programs the two methods were used about equally.

13. Skill level of clients

Workshop respondents were asked to distribute total hours worked during the survey week by the degree of skill required on the work performed by their clients.

Two-thirds of the hours worked in certificated workshops were considered to be unskilled; 27 percent was rated as semi-skilled; and 6 percent as skilled work (Appendix table 197).

Virtually all the work performed by work activities center clients was rated unskilled; only two percent was considered to be semi-skilled.

Work in training and/or evaluation programs was rated only slightly higher with one-tenth semi-skilled and 87 percent unskilled.

C. Client Wage and Productivity Evaluation

Part 525 of FLSA regulations requires the maintenance and periodic review of client performance (productivity) and also prescribes methods for determining rates of pay for clients.

1. Clients receiving wage adjustments

For the reporting year workshops reported on the number of clients receiving productivity reviews as well as the number whose wages were adjusted as a result of those reviews. Productivity reviews were restricted to hourly rated clients because those on piece rates are automatically paid according to productivity -- higher production means higher wages (Appendix table 63).

Eighty-six percent of regular program workshops with hourly rated clients completed annual productivity reviews and virtually all of them made client wage adjustments. Nearly one-half of the workshops granted increases of five percent or more to at least half of their clients. About one-eighth granted only slight (less than five percent) increases to most of their clients.

Nearly every work activities center completed productivity reviews for their hourly rated clients and most of them granted wage increases as a result. Nearly one-third gave significant increases (5 percent or more) and one-fourth gave slight increases to half or more of their clients.

Clients in training and/or evaluation programs are usually reviewed and evaluated periodically as a part of their individual programs. The program is usually designed to provide wage increases as the client progresses. Virtually all of these programs made adjustments in client wages in the reporting period and half of them made significant increases in the wages of 50 percent or more of their clients.

2. Methods of determining client productivity

Workshops used a variety of methods for evaluating client productivity. In regular workshops more than one-third used actual counts of productivity of each client and another third used rating forms or progress reports (Appendix table 64).

The most common methods in work activities centers were the same as those in regular program workshops but a slightly lower percentage of centers used those methods.

Rating forms or progress reports ranked highest in training and/or evaluation programs with more than third using the method. Actual counts of productivity ranked slightly lower.

Actual counts of productivity is the more objective of the two methods and is the most effective in subcontract and manufacturing work in which units are produced with some uniformity. Client productivity is measured against production norms established for nonhandicapped workers.

Rating forms generally utilize a variety of performance factors in evaluating the client and are used most in production which does not have a uniform product. This system was also more common in workshops with professional staff who administer and/or interpret the reports.

About half of the regular program workshops that were members of National Industries for the Blind used actual counts of productivity while members of Goodwill Industries of America mostly used rating forms.

3. Workshop minimum production policy

Most workshops had no minimum productivity requirements which clients were required to meet in order to stay in the workshop (Appendix table 67). The work activities center generally serves as "employer of last resort" for severely

handicapped clients and virtually all these centers had no minimum requirements. Less than one-third of regular program workshops had minimum production requirements and about one-fifth of the training and/or evaluation programs had such standards.

For those workshops having production requirements, most were limited to six months of trial production.

4. Methods of determining competitive hourly labor rates

Workshops are required under the FLSA to pay wages "commensurate" with the productivity of the client -- wages equivalent to those paid nonhandicapped workers in the vicinity in industry maintaining approved labor standards for essentially the same type, quality and quantity of work. Industry rates are used when available but in the absence of industry rates, time studies or other tests may be used to establish piece rates. In some instances a job usually performed by one worker in regular industry may be divided into two or more jobs because of the limitations of the handicapped workers. In other instances special jigs and fixtures may be required so that the item can be produced by a blind or other physically limited person. When such job revisions are made industry rates are not generally applicable.

State Employment Service offices were the most common source of wage rates for regular program workshops (Appendix table 68). Workshops for the blind relied mostly on rates from other workshops, and the mental illness group workshops relied on the contract supplier for a majority of their wage rate determinations.

Work activities centers used contract supplier rates more than any other source -- probably because of their heavy involvement in subcontract work. Also the type of work performed in centers was mostly unskilled work and less likely to have wage rates established by the industry or State Employment Service. Another factor in the use of supplier rates may have been the lack of technical staff in the centers to perform the necessary wage studies.

The same pattern was found in training and/or evaluation programs with the mental illness and mentally retarded groups relying on contractor rates; general programs relying on State Employment Service and blind group programs on other workshops.

VIII. CLIENT FRINGE BENEFITS

The provision of fringe benefits to handicapped persons employed in sheltered workshops was a special concern of Congressional committees reviewing workshop programs. The major issue was whether handicapped employees in sheltered workshops were receiving the fringe benefits normally provided to employees in other employment situations.

This is not a simple issue to resolve because many handicapped persons in sheltered workshops have dual status -- client and employee -- but others may be either one or the other. In general terms, a client is someone who is "receiving a service or benefit" whereas an employee is someone who is "producing goods or services for an employer".

The handicapped person in a sheltered workshop program may be receiving rehabilitation services not involving productive work or in some instances the person may be involved in a program of on-the-job evaluation or on-the-job training in which he/she is receiving rehabilitation services while producing goods or services for the workshop. In a third situation the handicapped person may be an employee not receiving any significant rehabilitation services but working in the workshop as a temporary employee awaiting job placement in the community, or working as an extended or long-term employee because employment outside the workshop is either not feasible or not available. In the first instance the handicapped person is a client; in the second he/she is a client employee; and in the third an employee.

In the 1970 Amendments to the Employment Security Act, Congress recognized the special client/employee status of handicapped persons in sheltered workshops by excluding them from unemployment coverage in the section of the Amendments which extended coverage to nonprofit organizations. Some states have adopted versions of the exclusionary language in the Federal Act which in most cases appear to exclude clients receiving services but require coverage for handicapped persons in regular employment, i.e., employees for whom no services are being provided.

In this report and in the DOL administration of FLSA regulations pertaining to sheltered workshops the terms "client" and "employee" are used interchangeably. The study was designed to provide data on handicapped persons employed in the workshop exclusively.

A. Cash Expenditures for Fringe Benefits

Workshop expenditures for fringe benefits in the reporting year are discussed in Chapter VI. The survey questionnaire did not request a detailed breakdown of fringe benefit expenditures sufficient to permit determination of type of benefits involved, but expenditures for fringe benefits for four groups of employees were reported. A summary by type of workshop program and by ratio to total expenditures and total salaries and wages (Table 17) shows that fringe benefit expenditures for handicapped clients were generally lower than for other employees in workshops.

A DOL report on employee compensation showed that fringe benefit expenditures amounted to twelve cents of each wage dollar paid to nonmanufacturing, nonfarm employees in 1972 1/ (the workshop reporting year). The BLS compensation report included as fringe benefits expense (or wage supplement costs) expenditures for retirement programs, health programs, unemployment benefits, vacation and holiday fund payments and payments to saving plans.

The workshop survey disclosed that workshops had a fairly limited fringe benefit program, especially work activities centers and training and/or evaluation programs in which the handicapped person tends to be more client than employee.

Handicapped persons in regular program workshops received substantially more fringe benefits than those in the other programs.

1/ U.S. Department of Labor Bureau of Labor Statistics, Employee Compensation in the Private Non-farm Economy, 1972.

Table 17. Annual expenditures for fringe benefits for sheltered workshop employees by type of workshop program

Type of workshop program	Total expenditures (in thousands)	Average per workshop reporting	Percent of total expenditures	Percent of wage and salary expenditures
Regular program workshops				
Handicapped clients	$ 5,497	$ 6,906	2	8
Professional staff	2,041	2,564	1	11
Administrative and technical staff	2,805	3,523	1	9
Clerical and maintenance staff	1,388	1,744	0.5	9
Total fringe benefit expenditures	11,731	14,737	5	9
Work activities centers				
Handicapped clients	854	857	1	6
Professional staff	1,887	1,895	2	10
Administrative and technical staff	1,233	1,238	2	9
Clerical and maintenance staff	401	403	0.5	8
Total fringe benefit expenditures	4,374	4,392	6	8
Training and/or evaluation programs				
Handicapped clients	466	1,489	1	6
Professional staff	1,113	3,556	3	10
Administrative and technical staff	534	1,706	1	10
Clerical and maintenance staff	282	901	0.7	11
Total fringe benefit expenditures	2,394	7,648	6	9

Source: Appendix tables 52-54.

A distribution of fringe benefits per client served daily in the reporting year also shows a significant difference in the average level of expenditures:

Type of workshop program	Average daily client attendance per workshop	Average annual expenditures for fringe benefits	
		Amount per workshop	Amount per client
Regular program workshops	43	$6,906	$161
Work activities centers	40	857	21
Training and/or evaluation programs	29	1,489	51

B. Provisions for Paid Holidays, Vacations and Sick Leave

The percentage of workshops providing the three benefits was highest for holidays, possibly because the entire workshop closed, and lowest for sick leave.

The provision of these benefits may have been reflected in annual expenditures reported but because there are many workshops with relatively small operating budgets the accounting system may not have recorded these benefits as a separate cash expenditure.

1. Paid holidays

More than half of the certificated regular program workshops, representing nearly three-fourths of the clients, had provisions for paid holidays (Appendix tables 104-108). The larger percentage of clients indicates that the larger shops were providing the benefit more often than the smaller ones. Most of the workshops providing such benefits averaged six to nine paid holidays per year.

One-fifth of the certificated training and evaluation programs, serving slightly less than one-fifth of the clients, also paid clients for an average of six to nine holidays per year.

Only one-sixth of the certificated work activities centers accounting for an equal proportion of the clients, provided for paid holidays -- mostly for six to nine days annually.

The noncertificated workshops of all types had a participation in this benefit which was 10 to 15 percent lower than their certificated counterparts.

Workshop operating income size had a positive correlation with the provision of paid holidays in regular program workshops (Appendix table 107). Thus, while only 30 percent of the certificated workshops with operating incomes of less than $50,000 provided paid holidays to clients, such benefits were accorded to the clients of 97 percent of those with operating incomes of $750,000 or more.

Operating income level did not appear to have any relationship to the provision of paid holidays in the other two workshop programs.

Of all the primary disability group workshops, the blind group had the highest participation with three-fourths of the programs and 86 percent of the clients in that group receiving paid holidays. The general group ranked second with 42 percent of the programs providing such benefits to more than half the clients served by that group. The mental illness and mentally retarded groups had the lowest participation with less than one-fifth of the programs and clients receiving that benefit.

Two-thirds of the Goodwill Industries of America Workshops and more than three-fourths of the workshops affiliated with National Industries for the Blind provided paid holidays for their clients.

2. Paid vacations

The proportion of workshops providing paid vacations was slightly lower than those providing paid holidays (Appendix tables 109-113). Fifty percent of all certificated regular program workshops serving about one-third of the clients provided paid vacations. Such benefits were even less common in other certificated workshop programs. Only 14 percent of work activities centers and ten percent of the training and/or evaluation programs provided this benefit to their clients.

Of the programs providing this benefit most provided five days of vacation per year and the amount did not change with additional years of employment. It should be noted however, that the workshop differs from private industry in that the average client/employee generally has a relatively short stay in the workshop. Data for the survey week (May 1973) disclosed that the average client tenure in certificated regular program workshops and work activities centers was two to three years, and in training and/or evaluation programs less than one year.

Only 17 percent of the noncertificated workshops provided paid vacations for their clients.

3. Paid sick leave

Nearly one-third of the certificated regular program workshops, serving 45 percent of the clients, provided paid sick leave benefits; but very few of the certificated work activities centers and training and/or evaluation programs (less than four percent) provided that benefit (Appendix tables 114-118). Of those programs most limited their sick leave to one to five days regardless of the number of years of service.

C. Other Fringe Benefits

Other fringe benefits which were provided to clients during the survey week include the following:

	Workshops		Clients (ADA)	
Benefit	Number	Percent of total	Number	Percent of total
Total workshops and clients*	2,355	100	91,194	100
Life insurance	208	9	15,461	17
Accident insurance	249	11	10,893	12
Worker's compensation	1,650	70	66,227	73
Health insurance	187	8	12,237	13
Retirement-pension plan	39	2	2,683	3
Social Security	1,439	61	59,814	66
Unemployment compensation	167	7	7,297	8
Other	43	2	2,379	3
Workshops providing none of the above benefits	432	18	15,414	17

*Individual items will not add to total because of duplication.

Almost four-fifths of the workshops provided one or more of the fringe benefits enumerated above; the most common was worker's compensation which was provided by seventy percent of the workshops to almost three-fourths of all clients in the survey (Appendix tables 119-123).

Eighty-three percent of the certificated regular program workshops provided worker's compensation insurance as compared with two-thirds of work activities centers and training and/or evaluation programs providing that benefit.

Social Security coverage is not mandatory for employees in nonprofit organizations but workshops can waive their exemption and provide coverage for clients employed in the program. Clients working under Social Security coverage for 16 quarters at a specified minimum earnings level can become eligible for disability and retirement benefits. This is especially important for the client with no previous employment under Social Security coverage (Federal Insurance Contribution Act). More than three-fourths of the certificated regular program workshops provided this benefit. More than half of the work activities centers and training and/or evaluation programs participated in the Social Security program. Two-thirds of the clients in all programs were covered.

Accident insurance for non-job related injuries ranked third with participation by 11 percent of each of the three workshop programs.

About one-fifth of the regular program workshops provided life insurance and a like number provided health insurance, but an insignificant number (one to three percent) of work activities centers and training and/or evaluation programs reported that benefit.

Retirement and pension programs were not common in workshops, probably because clients are generally considered to be short-term employees. None of the work activities centers or training and/or evaluation programs and only five percent of the regular program workshops reported the provision of this benefit for their clients.

As previously indicated, clients in sheltered workshops are generally excluded from unemployment insurance, except where they become regular employees (not receiving rehabilitation services). As consequence, only 15 percent of the regular programs workshops had unemployment insurance coverage, and only 3 percent of work activities centers and training and/or evaluation programs.

E. Collective Bargaining

Although the right of workers to bargain collectively with their employers has been recognized for many years handicapped workers in sheltered workshops have generally failed to accomplish any degree of collective bargaining. In order to be effective in collective bargaining an employee must have alternatives, i.e., other employment possibilities. The handicapped employee is in a weak bargaining position because the workshop is often the only source of employment, at least at that period of time. Also the lack of organization among workshop clients is another possible barrier to collective bargaining.

Organized labor has always been active in working with national organizations and through Congress to gain better benefits and improved working conditions for handicapped workers. Informal discussions with sheltered workshop directors indicate a minimum amount of effort to develop collective bargaining in local sheltered workshops. Several workshops in the North Central Region have collective bargaining agreements with their staff and/or maintenance and transportation workers, but their client/employees are generally not included in the agreements.

Only 13 workshops reported collective bargaining agreements covering a majority of their clients. Most of these were regular program workshops. A total of 758 clients (or 0.8 percent) were covered by the collective bargaining agreements (Appendix tables 124-128). In addition three workshops had collective bargaining agreements covering some of their clients -- probably the long term client/employees in the regular program workshops.

IX. CLIENT TRAINING AND PLACEMENT

Information gathered in the workshop survey and from other sources suggests that there are primarily two major types of training provided in workshops: skill training, and work adjustment or personal adjustment training. Work adjustment and personal adjustment training is discussed in Chapter X, Staffing and Professional Services. This chapter is concerned with skill or vocational training.

Few sheltered workshops are considered to be trade schools or vocational education facilities although some workshops actually operate as a supplementary or complementary program to a school. A majority of the workshops operate programs which are primarily on-the-job training with limited if any classroom instruction involved.

The DOL in administering Section 14(c) of the FLSA is concerned only with those training programs which involve production of goods and/or services by the trainee (client) for the workshop (i.e., when there is an employment relationship between the client and the workshop). If there is no production in the training program then it is not subject to the FLSA, but such training may nevertheless, have been reported in this survey, because no clear distinction was made on the questionnaire.

Virtually all regular program workshops and training and evaluation programs indicated that they provided some form of training for clients; only four-fifths of the work activities centers reported training provision (Appendix table 93).

A. Impact of Workshop Production on Training

The work program generally represented the basic operation of most workshops except for some training and evaluation programs which were not production oriented. The work program provided three-fourths of the operating income in regular program workshops, and about one-third or less in work activities centers and training and/or evaluation programs. Nearly two-thirds of the certificated regular program workshops indicated that training was dependent on the type of goods produced in the workshop. In contrast, one-fourth indicated that skill training was not dependent on goods produced. More than one-half of the certificated work activities centers and somewhat less than one-half of the certificated training and/or evaluation programs reported dependence on goods produced for training program design.

B. Training Provided and Capacity for Training

A total of 94,635 clients received training in all workshop programs during the reporting year -- about one-third of the total number served. But training programs were only being utilized at little more than two-thirds of their capacity (Appendix tables 92-96).

Trainees were almost equally divided among the three programs which was consistent with the distribution of fee income reported in Chapter VI. Only 37 percent of the clients who received training were in separately identified training programs; the other two-thirds were in regular program workshops or in work activities centers. Clients receiving training represented one-fourth of the clients served during the year in certificated regular program workshops, more than one-third of the work activities center clients and over one-half of the training and evaluation program clients.

The unused capacity to train an additional 39,221 clients was about evenly divided among the three certificated workshop programs. Noncertificated workshops reported capacity for training an additional 3,364 clients; nearly one-half in regular program workshops, 28 percent in training and/or evaluation programs and one-fourth in work activities centers.

C. Types of Training Provided

The survey questionnaire listed 13 types of training which had been previously identified by workshops (Appendix tables 93 and 94).

Janitorial-custodial services was the most common type of training provided in all workshops, possibly because of the low skill requirement of most jobs in that category and their suitability for mentally retarded clients with limited learning potential. Other service occupation training (e.g., building maintenance, food handler) was found frequently in work activities centers -- where mentally retarded clients are served in large numbers; food service ranked second and building maintenance fifth in popularity.

Machine operator training ranked second in regular program workshops and third in work activities centers followed by general clerical training.

The type of training provided in most workshops appeared to be geared to the lower functioning client who had been evaluated by the workshops or by State rehabilitation agencies and diagnosed as not being capable of benefitting from the type of formal, structured skill training usually provided in trade and vocational schools.

The 1973 study of sheltered workshops prepared by Greenleigh Associates for the U.S. Department of Health, Education and Welfare 1/ reported that in a sample of workshops studied a majority of the clients were not involved in skill training programs but were engaged in developing work habits and job performance (general) skills.

In summary, it may therefore be more realistic to classify most workshop training as work preparation rather than skill training.

1/ Greenleigh Associates, Inc., The Role of the Sheltered Workshops in the Rehabilitation of the Severely Handicapped, New York, New York, May 1975.

D. Training of Clients Referred by Federal Manpower Programs*

Sheltered workshops had a very limited involvement in Federal manpower programs such as Work Incentive Programs (WIN) Project Transition, and Manpower Development and Training (MDTA) (Appendix tables 102 and 103). At the time of the survey (1973) a total of 2,605 clients from Federal programs were being served in 222 workshops. Regular program workshops were serving 1,611 clients (62 percent) in 117 workshops; 872 clients (one-third) were being served in 69 training and/or evaluation programs; and work activities centers were serving 122 clients (5 percent) in 36 centers.

There seemed to be two possible reasons for the limited role of workshops in Federal manpower programs: (1) clients of sheltered workshops were mostly mentally or physically handicapped while the clients served in Federal programs tended to be socially handicapped (disadvantaged). The socially handicapped are generally considered less limited in work production capability and more limited by behavior problems than physically and mentally handicapped persons, and this sometimes causes difficulty in developing suitable programs for the two groups in a workshop with limited staff and building space; (2) regulations of Federal manpower programs require payment of wages not less than the FLSA statutory minimum but clients in workshops are usually paid wages averaging anywhere from 20 to 80 percent of the statutory rate. This difference in wage payment creates problems in integrating Federal program clients with other clients in the workshop.

Workshops also reported on the outcome of clients referred by Manpower Development and Training Administration Programs (MDTA) and served in the reporting year -- 1972 or 1973 (Table 17). The extent of service in the reporting year by workshop program was similar to that shown for all Federal programs at the time of the study. Work activities centers served only a small percentage (6 percent) of the total number, but the rate of success was about as high as in the other two programs.

* Now called "Employment and Training Programs".

Nearly half of the MDTA clients successfully completed training and more than one-fourth were placed in competitive employment. Certificated regular program workshops and training and/or evaluation programs served 84 percent of all MDTA clients and they were more successful than non-certificated programs in client completion of training, but they were less successful in placing clients in competitive employment.

Workshops affiliated with Goodwill Industries of America accounted for three-fourths of the MDTA clients served in certificated regular program workshops and nearly half of all MDTA referrals. National Industries of the Blind members had only one percent of the MDTA referrals (Appendix table 103).

E. Disabled Veterans Served

Most of the handicapped persons served in workshops come from the civilian sector. Disabled veterans are usually served by programs operated by the Veterans Administration (VA) and wage payments to veteran/clients in VA programs are regulated through the U.S. Civil Service Commission.

Disabled veterans may have been served in non-VA workshops in instances in which no VA facility was convenient to the client or in training programs in workshops which met VA standards or requirements.

A total of 1,040 disabled veterans were served in all workshops in the reporting year. This number represented 0.3 percent of all clients served (Appendix table 103).

Regular program workshops served the highest number, 669 including 217 Vietnam veterans and 452 other veterans.

Three hundred and thirty-three disabled veterans were served in training and/or evaluation programs, 181 Vietnam veterans and 152 others.

Table 18. Distribution of clients referred by Manpower Development and Training Programs in 1972 by outcome and type of workshop program

Type of program	Number of workshops	Total referrals	Successfully completed training		Dropped out before completion of training		Placed in competitive employment	
			Number of clients	Percent of total referrals	Number of clients	Percent of total referrals	Number of clients	Percent of total referrals
All programs	244	3,855	1,815	47.1	954	24.8	1,086	28.1
Certificated programs								
Regular program workshops	117	1,754	782	44.6	504	28.7	468	26.1
Work activities centers	35	163	87	53.4	40	24.5	36	22.1
Training and/or evaluation programs	70	1,495	787	52.6	331	22.1	377	25.2
Noncertificated programs								
Regular program workshops	10	361	116	32.1	62	17.2	183	50.7
Work activities centers	5	10	3	30.0	6	60.0	1	10.0
Training and/or evaluation programs	7	72	40	55.6	11	15.3	21	29.2

Source: Appendix tables 102 and 103.

F. Client Placement in Competitive Employment

The ultimate goal of the sheltered workshop is to place the handicapped person in gainful employment in which he/she will be able to function at the optimum level of productivity consistent with his/her skills and capability. The ideal level of accomplishment is the placement of the client in competitive employment outside the workshop at an hourly wage of not less than the statutory minimum rate. It should be recognized however, that for some severely handicapped persons the goal of competitive employment may not be realistic because of their severe physical and/or mental limitations or other complicating factors.

The State rehabilitation agency usually represents the major source of referral of clients to sheltered workshops. One of the primary measures of the effectiveness of a State program is the extent of placement of clients in gainful employment; the level of earnings of clients placed is also a most important evaluative factor.

Placement of clients in jobs may occur as a direct result of the workshop staff efforts, the initiative of the client, and/or the efforts of the State rehabilitation agency (or other agencies) referring and sponsoring the client.

The total number of clients served during the reporting year was 267,920, and of this group 32,242 clients (12 percent) were placed in competitive employment -- outside the workshop. The total number placed amounted to about one-third of average daily client attendance. Two-thirds of all workshops reported the placement of clients in competitive employment (Appendix tables 97-99).

1. Placement by type of workshop program

More than three-fourths of the regular program workshops reported client placements in community employment. A total of 13,737 clients or 12 percent of total served during the year were placed. Training and evaluation programs placed 12,439 clients (19 percent of the clients served in the reporting year) and three-fourths of the programs participated.

A little over half of the work activities centers made competitive job placements involving 6,066 clients (7 percent of the total served).

The better performance in placement which was shown by training and/or evaluation programs suggests a greater degree of success in evaluating and training clients. Another factor could be the impact of the State rehabilitation agency sponsorship of clients. The rehabilitation agency can pay the workshop for evaluation and training services provided to clients of the State agency by cannot pay for sheltered employment. A client completing training and moving into competitive employment is perceived by the State agency as a "successful" rehabilitation (closure) of the client; placement in sheltered employment in a regular workshop or work activities center is viewed as "less successful."

The percentage of clients placed by work activities centers was lowest, but the level is significant because clients in work activities centers have generally been classified as "inconsequential producers", that is, not suitable for gainful employment. The seven percent placement rate suggests three possible reasons: (1) the center was highly successful with rehabilitation (training) services; (2) the client was mis-diagnosed in initial evaluation/screening; or (3) the workshop was serving higher functioning clients as an interim program when regular program workshops were not available or accessible to the client.

2. Placement by primary disability group program

In certificated regular program workshops the mentally retarded group and the general group (the two largest groups) reported the highest percentages of placements, 15 and 13 percent, respectively, and alcoholic, blind and mental illness groups had only a 5 to 7 percent placement record.

The range in the certificated work activities centers was much narrower, from seven to nine percent for the major groups.

The placement of clients from training and/or evaluation programs ranged from 21 percent for the general group and blind group to 14 percent for the mental illness group.

3. National organization member workshops

The placement of clients by certificated regular program workshops which were members of national organizations shows an interesting variance: National Industries for the Blind (NIB) workshops (averaging highest client wages) placed only four percent of the clients they served annually while Goodwill Industires of America (GIA) workshops (averaging second highest client wages) placed 11 percent of clients served.

Placement from training and/or evaluation programs was 22 percent for both GIA and NIB members, two percentage points above the average for certificated programs.

4. Client tenure

The average client placed in competitive employment from certificated regular program workshops had been in the workshop between three and six months; three-fourths of the clients had been in the workshop less than a year. Half of the clients were placed in jobs for which they were trained; and only 14 percent of the placed clients had to return to the workshop for more training.

Work activities center clients placed in competitive jobs had stayed 6 to 12 months in the work activities center on the average; most of the placed clients had less than two years in the center; slightly less than half were placed in jobs for which they trained and the recidivism rate was 16 percent.

Nearly two-thirds of the clients placed from training or evaluation programs had been in the program six months or less. More than one-half of the clients were placed in jobs for which they were trained and only 10 percent failed in their initial job placement.

5. Beginning wage rate

One of the criteria used for measuring successful placement of clients is the starting hourly wage. (The statutory minimum hourly wage rate was $1.60 at the time of the survey).

Ninety percent of certificated regular program workshops placed most of their clients at $1.60 per hour or more; more than one-fifth reported starting wages of at least $2.00 an hour (Appendix table 100).

The record for certificated work activities centers was almost as impressive. Most of the clients placed had a starting wage of at least $1.60 an hour in 85 percent of the centers reporting placements.

Training and evaluation programs had the best performance with 92 percent reporting starting wages of $1.60 or more. About one-fourth reported a starting wage for most clients of at least $2.00 per hour.

6. Follow-up services provided

Most workshops made follow-up contacts with clients and their employers after placement in competitive employment (Appendix table 101). This service was designed to assure that placement was successful and suitable for the client as well as the employer. Of the workshops reporting contacts after job placement 40 to 60 percent reported that they maintained contact for six months or longer.

G. Interprogram Movement of Clients

Workshops design their programs so that clients can progress from one type of operation to another more complex operation or job. The client learns to perform a task and moves up to a new, more challenging task in the workshop. Also, in the multiple-program workshop establishment clients should be able to move from one program to another (e.g., from a work activities center to a regular program workshop) and in a single-program establishment clients should be able to move to another establishment upon achieving a statisfactory level of performance in the establishment.

However, the reports from workshops indicate very little movement from one workshop program to another (Appendix tables 90 and 91). The training and evaluation programs had the highest level of such movement. Twelve percent of the clients served moved from training or evaluation to other programs. Two-thirds moved to-regular program workshops and one-third to work activities centers.

Clients in the other two programs had an even greater tendency to remain in the entry program. Only five percent of work activities centers clients transferred -- nearly two-thirds of them to regular program workshops and a third to training and/or evaluation programs. In regular program workshops a mere three percent of the clients were moved to other programs. More than one-half went to training and/or evaluation programs and 43 percent were sent to work activities centers.

About one-half the workshop programs reported no client transfers. This many have been due to lack of professional staff or to the lack of alternative programs. It is also possible that a substantial number of clients had been in the workshop program too short a period of time to permit the necessary development of skills to justify transfer or change.

X. STAFFING AND PROFESSIONAL SERVICES

The level and type of staffing and professional services in workshops represent a primary indicator of the nonwage benefits being provided to the handicapped clients. This part of the workshop operation is governed by the availability of funding, the needs of the clients being served and the types of program operated.

A. Staff

The workshop survey collected data on paid and volunteer staff in five classifications:

- Professional and administrative staff
- Production supervisors
- Clerical staff
- Maintenance staff
- Other staff

The first two types of staff are the most important because of their direct involvement in providing services to clients and/or administering the program. The other three types comprise the support staff.

The average composition of paid staff by workshop program for certificated workshops was as follows:

Type of staff	Average number of paid staff personnel		
	Regular program workshops	Work activities centers	Training and/or evaluation programs
Total paid staff	13.5	7.7	9.5
Professional and administrative staff	4.3	3.0	4.6
Production supervisors	3.5	2.9	2.1
Clerical staff	2.3	.9	1.4
Maintenance staff	.9	.3	.3
Other staff	2.5	.6	1.2

The paid staff was supplemented by volunteer workers -- those who served without pay for a minimum of four hours or rendered a substantial amount of services during the survey week. The volunteer was most important in work activities

centers, representing 16 percent of total staffing. By way of comparison volunteers accounted for 12 percent of all staff in regular program workshops and 8 percent in training and/or evaluation programs -- supplementing administrative and professional staff in a majority of the programs (Appendix tables 77-80).

Training and/or evaluation programs were lowest of the three programs in professional and administrative staff ratios (clients per staff person), reflecting the greater emphasis on services. Work activities centers were highest in all types of staff.

The ratio of total staff to clients was about 1:3 in regular program workshops with the mentally retarded group having a slightly higher client rate and the blind group lower than the norm (Appendix table 81).

The mentally retarded and mental illness groups showed the lowest staff-client ratio (fewer clients per staff person), the reverse of regular program workshops.

The mental illness group also had the most favorable ratio (1:4) in the training and/or evaluation programs.

B. Professional Staff

The questionnaire listed sixteen types of professional staff positions. Relatively few of the workshops failed to report professional staff and a majority of the workshops reported full-time or part-time staff in about half the professional staff positions listed. Certificated workshops showed a pattern of staffing in which a higher percentage had part-time professional staff personnel than full-time in a majority of the occupations (Table 19).

The most common staff position was evaluator. Three-fifths of the regular program workshops, half of the work activities centers and four-fifths of the training and/or evaluation programs reported this type of staff (some workshops had both part-time and full-time personnel).

Vocational counseling was next, followed by job placement specialist; these positions were found more frequently in training and/or evaluation programs. Work activities centers were consistently lowest in all types of professional staffing.

The extremely low percentage of workshops having industrial engineers reflects, to some extent, the lack of technical expertise in the work programs which probably was a factor in the problem of procuring work for the workshop.

Relating the expenditures for professional staff to the reported numbers of staff personnel discloses what appears to be an inconsistency. The annual professional staff expenditures appear to reflect a much lower professional staff than is indicated in the compilation of specified personnel. The explanation for such a situation might be that some professional staff services are provided gratis by other agencies or through special grants, and the expenditures are not reflected in the financial reports of the workshops.

Table 19. Percent of certificated sheltered workshops reporting full-time and part-time professional staff in specified occupations by type of workshop program, 1973

Staff personnel	Percent of workshops					
	Regular program workshops		Work activities center		Training and/or evaluation programs	
	Full time	Part time	Full time	Part time	Full time	Part time
Psychologist, psychiatrist	13.4	58.9	15.4	71.5	15.8	70.0
Doctor	3.8	44.0	5.9	40.6	4.8	46.3
Nurse	14.9	34.1	17.3	43.6	19.2	36.0
Speech pathologist/audiologist	5.7	22.1	9.2	41.9	8.2	29.2
Physical therapist	5.1	13.2	5.9	22.1	6.9	16.4
Occupational therapist	9.2	14.9	10.4	22.0	9.1	16.4
Teacher, trainer, instructor	46.0	55.0	60.4	66.3	50.5	63.7
Remedial education specialist	9.2	25.5	10.9	26.1	14.2	32.5
Social worker	29.9	54.8	34.9	65.9	32.0	58.2
Vocational counselor	53.7	70.2	52.9	58.5	63.6	81.1
Evaluator	59.0	65.4	47.6	51.4	73.4	79.1
Placement specialist	34.9	56.0	24.6	41.8	44.4	68.0
Contract procurement specialist	39.6	54.5	33.7	51.8	45.5	64.0
Sales manager	30.0	33.4	9.7	13.3	28.6	32.2
Industrial engineer	16.6	10.1	4.3	11.4	10.3	19.1
Cost accountant/comptroller	38.6	55.7	18.3	39.6	39.3	57.4
Other	14.6	15.1	10.3	13.4	14.4	16.6

Source: Appendix table 82.

C. Professional Services

Workshops also reported on a variety of professional services which were provided clients either in-house or on a contract basis (contract services may have been provided in-house or out of the workshop on a contract-for-service basis rather than staff provided).

The pattern of professional services provided logically follows the professional staffing pattern. Services were provided in-house for virtually all programs except for medical and psychological/psychiatric evaluation and diagnosis, those services which are generally provided prior to the client's entry into a workshop program (Appendix table 87). The size of the client group and their needs for these services may have been so limited as to make in-house services impractical and excessively expensive.

The services provided most often in certificated programs were counseling, evaluation and training. Two types of counseling, family and personal adjustment counseling and vocational counseling, were provided in about three-fifths of the programs; evaluation was standard in four-fifths of the training and/or evaluation programs and three-fifths of the other two programs; and personal adjustment training was slightly more common than skills training with more than two-thirds of the programs providing such services.

A comparison of professional staff with professional services suggests that some professional services may have been provided by non-professional or para-professional personnel. Job placement services represents an example of such a possibility. This service was reported by more than two-thirds of the workshops but less than one-third of the workshops listed personnel in this staff position. Also, some professional services may have been provided by staff functioning in more than one role, e.g., as counselor, evaluator and job placement specialist. Such a combination would be very practical in the average workshop which serves about 40 clients daily and has a limited budget for professional services. The trend toward training clients with greater limitations (growth of work activities centers) emphasizes the need for expanded professional services, especially those services which are frequently required for the major population to be served, the mentally retarded client. Reports from other studies of the mentally retarded population indicate a critical need for personal and social counseling and training.

XI. OTHER ISSUES

The Sheltered Workshop Survey had as its major function the collection of data on the operation of the workshop but a secondary purpose was to solicit the opinion of workshop directors regarding three special concerns:

- The effects of the 1966 Amendments to the FLSA in the establishment of the work activities center as a program separate from the regular program workshop;
- The advisability of a wage subsidy or supplement for severely handicapped persons employed in workshops who were unable to earn the statutory minimum wage because of their physical or mental limitation; and
- The elimination of the term "sheltered" in reference to workshops for disabled/handicapped workers.

A. Impact of 1966 FLSA Amendments of Work Activities Centers

The response was restricted to certificated workshops, those operating under the FLSA program, because they were the ones most affected by the establishment of the new concept. Respondents were divided into two groups: Workshop establishments operating work activities centers only and those operating dual programs (regular program workshops and work activities centers).

Both groups had almost identical responses to all questions. About three-fourths felt that the work activities center concept was both necessary and beneficial in relation to the needs of handicapped clients (Appendix table 140).

The regulations of the Secretary of Labor establish criteria based on client earnings and productivity for determining whether facilities qualify as a work activities center. Regulations in effect at the time of the study (1973) stipulated that average annual client productivity could not exceed $850, or if the wage payments to clients were primarily based on piece-rates, average annual client earnings could not exceed $600. The criteria were designed to assure that higher functioning clients were properly

placed in the more appropriate regular program workshop. The work activities center was intended to serve the severely handicapped, "inconsequential" producer, whereas the regular program workshop was intended for the "better" producer whose productivity was more than 50 percent of the average nonhandicapped worker.

The two groups of workshops commented on the earnings and productivity tests for work activities centers. Of the workshops operating dual programs (regular program workshop and work activities center) 56 percent agreed with the productivity test as a qualification for a work activity center but 66 percent of the respondents felt the productivity test was too low while only 16 percent indicated the test was too high. Of the facilities operating a work activities center only, 55 percent endorsed the productivity test and the same percentage felt the productivity test was too low whereas 18 percent suggested that the test was too high (Appendix table 141).

Forty-seven percent of the workshops operating dual programs agreed with the earnings test usuage but 74 percent indicated that the test was too low while only eight percent felt that the test was too high. In single program work activities centers 53 percent agreed with the earnings test concept but 62 percent held the opinion that the earnings test was too low; 12 percent said the test was too high (Appendix table 142).

These responses regarding earnings and productivity criteria suggest a need for re-evaluation of the levels established by the FLSA regulations. This is further reinforced by data on wage earnings of work activities center clients presented in Chapter VII which shows that client earnings do not increase significantly as the client stays longer in the work activities center. A longitudinal study of client earnings would provide additional information upon which to evaluate the impact of the productivity and earnings ceilings.

Policy changes were not required in most workshops of both types (dual and single program) because of the separation of the work activities center required by FLSA regulations (Appendix table 143). The changes had a mixed effect on the admissions of both "inconsequential" producers and "better" producers -- some workshops reported increases while an equal number indicated decreases or no significant change.

Workshops operating dual programs currently and prior to the effective date of the 1966 Amendments were asked for an assessment of the effect of the change on a variety of functions related to the client and the workshop. Because few of the workshops operated dual programs prior to 1967 the response of this section of the questionnaire was limited.

Most of the workshops employing both types of producers in an integrated program prior to 1967 reported that the change had no significant effect on: (1) the productivity of work activities center clients or regular program clients; (2) the number of therapeutic services provided clients; (3) the ratio of staff to clients; (4) the number of programs emphasizing non-work activities; (5) the earnings of clients; (6) the procurement of contracts suitable to the skills and disabilities of the clients; (7) the work assignments which meet individual rehabilitation needs; (8) and layout of work or work planning for clients (Appendix tables 144-157).

Of those workshops that reported some degree of effect or change, 35 percent indicated increases in the productivity of regular program workshop clients and 15 percent experienced increases in the productivity of work activities center clients.

The staff-client ratio slightly decreased in more than one-fifth of the regular program workshops but it increased slightly in about one-third of the work activities centers involved.

Increases in earnings of clients in the regular program workshops were indicated for 43 percent of respondents. Earnings increases in the work activities center were reported by less than one-fourth of the group.

In response to the question regarding the effect on the ability of work activities center clients to make overall progress toward normality in ways other than productivity, 46 percent saw no significant improvement; but more than one-third of the workshops reported that the ability had receded.

No significant change in the employment opportunities for the inconsequential producer resulted from the separation of the two programs, according to 82 percent of the workshops commenting on that activity (Appendix tables 150-153).

The effect of the term "work activities center" on program image, community support and grant funds was also evaluated (Appendix tables 154-157). More than one-third of the group indicated improvement in program image but nearly two-thirds saw no significant change. Most of the respondents (82 percent) reported no significant change in community support and a slightly lower number (73 percent) saw no change in grant funds.

Workshops which at the time of the surveys were operating both a regular program workshop and a work activities center, and which employed both the inconsequential and better producers in nonintegrated programs prior to February 1967, were also asked to comment on the effect of the separation of the regular program workshops from work activities centers as required by the 1966 FLSA Amendments. The activities selected for comment were identical to those which were used for integrated programs. In this group a much smaller proportion (one-third to three-fourths) indicated that they saw no significant change in the activities listed, as compared to the integrated program group responses (Appendix tables 158-161). Most of the workshops which did indicate change reported increases or improvements in that activity.

B. Wages Subsidy or Supplement

A program of wage subsidies or supplements for handicapped persons has been considered by Congress on many occasions in the past and a wage subsidy bill was introduced in the 95th Congress. The objective of such legislation is to provide a minimum income equal to the Federal minimum wage for handicapped persons employed in sheltered workshops.

Workshop directors were asked whether they favored the establishment of a Federal wage subsidy for clients earning less than the statutory minimum hourly rate. More than three-fourths of those operating sheltered workshops favored a wage subsidy to clients; nearly two-thirds felt that the subsidy should be based on a percentage of the client's earnings (Appendix tables 129-131).

Member workshops of the National Industries for the Blind (NIB) and Goodwill Industries of America (GIA) were even stronger in support of a wage subsidy even though the earnings of their clients were substantially higher than the average for all regular program workshops. More than four-fifths of NIB and GIA member workshops supported the concept of a wage subsidy.

Workshops were also asked about the anticipated effect of a wage subsidy on client productivity and the workshop's ability to place clients in competitive employment. In terms of the effect of wage subsidy of client productivity workshops were evenly divided, a slight increase or decrease was projected by about 30 percent (Appendix tables 132-134). Some felt that the increased earnings would boost client morale and result in higher productivity, while others felt that there would be less incentive for the nonsubsidized client to produce it other clients received the same pay received the same pay without increasing their individual productivity.

More than one-third of the regular program workshops and nearly half of the work activities centers anticipated no significant change in client placement in competitive employment as a result of a wage subsidy but less than one-third of the training and evaluation programs held that opinion. The rest were equally divided between those that expected impairment and those that expected an enhancement of their ability to place clients in competitive employment (Appendix tables 135-137).

In summary, there was not a real consensus among workshops as to the full impact of a wage subsidy. It was clearly a desirable benefit for the client but might hamper progress toward competitive employment. It was suggested that the low wages paid in the workshop had the effect of motivating the client toward obtaining a better job outside -- the exception might be the client for whom the workshop provided terminal or extended employment.

It should be noted that many regular program workshops were already providing a form of wage subsidy to clients through "make-up" pay. Clients employed in sheltered workshops are paid on either an hourly rate or on a piece rate basis. The FLSA certification program establishes a minimum hourly rate which must be paid to all regular clients. If the clients working under a regular program workshop certificate are paid on a piece rate basis they must be paid at least an amount equal to the hourly rate stipulated in the certificate, even though their piece rate earnings during the workweek may be less. The difference between client earnings on a piece rate basis for the week and the actual wages paid to the client constitutes "make-up" pay. There is no wage guarantee requirement for clients in the work activities center or in training and/or evaluation programs.

About two-fifths of the regular program workshops provided make-up pay for their clients. Of the clients receiving make-up pay most received less than 10 cents per hour during the survey week (Appendix table 138).

Most of the workshops (78 percent) paid the make-up wages from their own funds. They did not receive special grants or other subsidy for this purpose (Appendix table 139).

The need for a wage supplement or subsidy was clearly indicated by the study in order for the client to achieve a goal of self support. Wage data from the survey week showed that virtually all of the clients in certificated work activities centers were earning less than the FLSA minimum rate and 93 percent earned less than half of the statutory rate; the average hourly wage comprised only 23 percent of the statutory minimum.

In certificated regular program workshops 74 percent of the clients had average hourly earnings below the FLSA minimum, and 18 percent earned less than 50 percent of the minimum.

Clients in training and evaluation programs averaged wages which fell between the other two programs but this group is not generally included in wage subsidy considerations because they are considered to be in a transitional or progressive status in which their productive capacity is expected to improve through training or other rehabilitative services; in contrast, the work activities center client and the regular program workshop client may have reached his or her maximum productivity level.

C. Change of Name Consideration

The term "sheltered" in "sheltered workshop" suggests special treatment, i.e., protection, and some clients and professionals object to the term as "negative or demeaning." The workshop questionnaire solicited suggestions for an alternate term to "sheltered" workshop.

Of the 1,786 workshops responding, however, less than half favored changing the name. A significant number of respondents favored replacing the work "sheltered" but retaining the word "workshops". Substitute names suggested, in order of frequency, were: (1) rehabilitation workshop; (2) employment workshop; (3) industrial workshop; (4) training workshop and (5) vocational workshop.

Suggestions were also made for a total name change which included the term "rehabilitation", "work", "vocational" or "employment".

There did not appear to be enough support for any specific alternate term to justify a change at this time.